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UNITED STATES INDIAN ADMINISTRATION AS A LABORATORY OF ETHNIC RELATIONS

BY JOHN COLLIER¹

MAJOR among the issues and enigmas facing the United States and the entire world, as we enter the problematic postwar era, are the issues and enigmas of the dependent peoples, the pre-literate and pre-industrial peoples, the peoples whose skin is not white. Whether the dominant nations deal severally or collectively with this more than half a billion persons, the issues and the enigmas are no less. They await solution in Oceania and Africa, New Zealand, Australia, India, and many other lands. They arise between ourselves and these lands; and between them and us on the one hand, and their own and our own minorities on the other.

The longest "colonial" record of the modern world is that of the governments toward their Red Indians. And in the western hemisphere, not only in the United States, Indian affairs have served as a laboratory of ethnic relations. The dark phases as well as the bright phases are of laboratory significance. In the following pages I am going to concentrate on a bright phase, the present phase, and on United States rather than hemispheric experience. Even so, I am going to have to load quite a freight of history into your minds. The past in each of us, and in all peoples, is more—profoundly more—than we men of the industrial age often realize. But in glancing at the Indian past in this hemisphere I shall decidedly not deal with this enormous subject in any systematic fashion. Only a crowded synopsis would

¹ EDITORS' NOTE—From April 1933 to March 1945 Mr. Collier was Commissioner of Indian Affairs. He is the present delegate of the United States to the governing board of the Inter-American Indian Institute, which has its headquarters in Mexico, D. F., and is chairman of that board.

result if I should try. Instead, let us glance at just a few items in a "colonial" experience which has been consecutive and multitudinous across nearly half a millennium.

I

First, let me remind you that if there is any pure race, the full-blood Indian is that race. But even within this pure race there existed at the time of Columbus, and a hundred years ago, and fifty years ago, and there exists now, an all but immeasurable cultural diversity. For ten thousand years or longer that cultural diversity went on unfolding. It is unfolding now. The white man, however, imposed on this cultural multitudinousness a uniform social fate. The Indian race, in any meaningful sense (since, as the Indian himself shows, biological race has little practical or heuristic significance), is a projection by the white man, the Indian's persecutor. It is a mental projection which as the generations passed brought into being actualities of inferior status, of poverty, of excessive introversion and loss of hope and loss of the will to live—lamentable actualities which were more or less common to all the tribes and nations, of endless cultural diversity, from east to west across the two continents and from Alaska to Patagonia. What Hitler would have done to Europe and to the rest of us, if he could, we white men did do to a thousand Indian nations across hundreds of years. Hitler did not intend to do to the Poles or the Jews or the democracies any more than white men did to the Incan, the Mayan and Aztec civilizations, or any more than we white North Americans did to the Indian civilizations of California, of the Atlantic seaboard and the Great Plains. Thus are race problems decreed by men against men, not given by God.

The record has not been entirely black, however. Its continuity, which has been registered through nearly the whole of North and South America, has been a dialectical continuity, within which opposing views of Indians and of society have succeeded one another in a procession of hundreds of years. Even at the

present time the dialectic is going ahead with intensity in many of the countries where the 30 million Indians reside. It is going ahead in the United States today. The strophe and antistrophe run thus:

The white man's society, alone, shall be considered, the Indian's society, not at all, or if at all, then only to destroy. Atomize the Indian. Thus the Spanish record with the Indians commenced. Then the antistrophe:

The Indian's society shall be acknowledged to exist; it shall be understood, dealt with in charity and honor, incorporated in the commonwealth. The Indian, not atomized, shall use his own society as his vehicle in the world and as his means of un mutilated migration into the wider world. This was the affirmation of the Laws of the Indies, which resulted from the enormous labors of the monastic orders, from the sustained intervention of the Vatican, and from Spain's tardily discovered need to keep the Indians alive for purposes of exploitation and of empire.

When the Latin American countries lifted the rust-corroded Spanish yoke from their shoulders, nearly all of them rushed or drifted away from the second position and back to the first. The Indian societies were regarded as uncongenial to republican liberty and to national unity. Communal Indian organization was ridden rough-shod across, communal Indian lands were expropriated or allotted, Indianhood was stigmatized as permanently inferior. It was from this phase, and back into the antistrophe, that President Cardenas led Mexico, and that the First Hemisphere Congress on Indians, at Patzcuaro, Mexico, led all the participating governments in 1940. Already a renewed confluence of interest and striving had commenced, beginning with idea exchanges between Mexico, the United States, Canada, Brazil, and Peru. This merging of effort, in terms of exchange of data and of personnel, and research programs, and programs of bold action, is now formalized through treaty commitments of fourteen western hemisphere countries.

Now let us quickly trace the historical succession of opposite

ideas here at home, in the United States. Our own Indians—400,000 in the United States and Alaska, amounting to one-seventieth of the hemisphere's total—furnish a range of social and environmental diversity wide enough to make possible a vast experimental yield. Seminoles of the Everglades, Athapascans of the interior wastes of Alaska, dry-farming desert tribes, irrigation-farming desert tribes, fishing tribes, hunting and trapping tribes, forest-industry tribes, sheep-grazers, cattle-grazers, reindeer-grazers. Tribes that use every ounce of their resources through their own labor, tribes subsisting as landlords and giving a top social value to no-work. Tribes whose being, intense and enormous, is still within the stone age; stone-age tribes which for the sake of ancient values have taken on the modern technologies and have even wrought out social technologies which are largely of the future. Tribes culturally integrated, tribes culturally disintegrated, tribes effectively acculturated to the white ways. Tribes geographically isolated, and others distributed among white populations. Tribes still wavering between increase of numbers and diminution to disappearance, and tribes increasing at three and four times the white population increase. Individual personalities integrated, harmonized, potent and poised within on-moving ancient social systems, individual personalities split wide open, tormented with anxieties, with aggressions. Individual personalities, again, but not many, wherein two antipodean social worlds have fused into a new creation; and individual personalities, more numerous, wherein the tensions that once made a great life have subsided, and who haltingly and faintly, yet with essential goodness, are traveling the white middle-class road.

To this boundless diversity our government, our missionaries, and our Indian-rights advocates, for a century—until a few years ago—tried to apply a single formula, one unyielding concept and program. Nevertheless, this incorrigibly monistic policy was in deep conflict with the fundamentals of Indian law and Indian policy as laid down near the beginning by the Supreme Court, and constantly reaffirmed by that body. Chief Justice John Marshall's

opinions are the foundation of the Indian law of the United States and of that policy which became official when Congress passed the Indian Reorganization act of 1934. How far these opinions represent original, independent thinking, and how far they drew on the Spanish record, I shall not argue now. They are more lucid, more radical, than any statement I have myself come upon in the Spanish record. Basically, they assert that the Indian societies exist by inherent right and by pledge and policy of the United States; that only those powers expressly taken away by act of Congress are surrendered by any Indian tribe; that the course of events has caused these Indian sovereignties to become dependent on the national government of the United States for protection, advice and aid.

But there is a sad corollary to this position, and it was acknowledged by John Marshall: these dependent sovereignties are dependent on the political, and hence also on the executive, arm of the national government. President Jackson remarked, "John Marshall made the Indian law; let him enforce it." Marshall foreknew the horrors which were to come. What he could not know was that always, in the Indian "colonial" record, the anti-strophe succeeded the strophe sooner or later.

The Supreme Court never consistently departed from Marshall's position. Congress and the Executive, however, swung just as far from him as it was humanly possible to go. It was more than a century before Marshall prevailed in fact. For hundreds of the Indian societies this was too late. Hundreds of streams of tradition, of institutional systems potent and splendid, of noble and flavorful personality types, were wiped from the book of life in that century after John Marshall. But for some scores of the Indian nations the postponed victory of Marshall came not too late; and for most of the surviving Indians as human beings, it came not too late.

An example of this viability is the pueblos of New Mexico. The twenty-one New Mexico pueblos exist today because of the Laws of the Indies. After the reconquest of New Granada, which

followed the Pueblo rebellion of 1680, Spain put the Laws of the Indies into full operation, and she enforced them for more than a hundred years. The profound institutions of the pueblos were left undisturbed; each pueblo established its relatively superficial political government to deal with the world; the pueblo communal title to lands was held sacred. So strong, so mature, so victorious were the effects—the consciously, formally intended effects—of the policies represented by the Laws of the Indies, that the subsequent policy of our own government was impotent to overturn them. Through the years from 1850 to 1929 the storm of atomization—the exhaustively searching policy of destroying Indian society—tore into shreds the Indian life of our Great Plains, of Oklahoma, of many other regions. The storm beat in vain against the pueblos; the banner of the Laws of the Indies was floating there still.

The chief lethal tool of the white man against the Indians was his denial of their right to exist *as societies*. From that successful denial all the other injuries flowed. It hamstrung the Indian, cast fatal blockades across his personality development, made him and kept him ineffectual, inferior and homeless. It is in terms of this denial of Indian grouphood that we must view the immediate past of the Indian in our own country in order to understand his present.

Several hundred treaties were negotiated with the Indian nations and were confirmed by the Senate. Our government proceeded to break them all. That Commissioner of Indian Affairs who was intellectually the most distinguished, General Francis A. Walker, stated our policy in his report for 1871, and acclaimed it. "When treating with savage men as with savage beasts," he wrote, "no question of national honor can arise. Whether to fight, to run away, or to employ a ruse, is solely a matter of expediency." The treaties were our ruses. The practical consequence of our ruses was that the Indian tribes were hurled pell-mell onto one another's hunting and fishing and planting grounds; this multiplied the wars between Indians, and, as a further con-

sequence, war flamed or smoldered along the frontiers of white settlement all the time. The Indians consistently outfought us, and it was estimated in the late 1860's that it was costing the government a million dollars on the average to kill one Indian. And the Indians fought, and were strong in a spirit which would not yield, in behalf of and by virtue of their societies. Hence, as a military necessity or convenience, it was decreed that their societies must be blotted out.

This military decision passed into the hands of the civilian Indian Bureau to execute. I am now describing the years from 1870 to 1928 in Indian affairs. How should the Indian societies be extinguished? These were the measures put into effect:

The generations were separated. Children were moved to boarding schools at six years and kept there through adolescence. They were put to work for white farmers and housewives in the summers. Numerous tribes were mixed in each school, and thus there was no common Indian language; use of the native language even at play was punishable.

At the heart of most of the Indian societies is the native religion. The religious ceremonial is intense, complex, freighted with ethical and social purpose. The Sun Dance, for example, was the supreme "integrative" institution of the Plains tribes—integrative through the whole range of human relations, including the political and the military. And the Sun Dance was made a criminal offense. The Indian religions were banned by physical force, and Christianity was officialized; church and state were joined. The Indians had to submit to the compulsory proselytizing of their children in the schools.

None of these items constituted, however, the truly strategic offensive against the Indian societies. The strategic offensive drove at the land. The tribal communal estate was parceled to each man, woman and child (not even to family groups). Any tribal land left over was opened to white settlement. In the second generation allotted lands would descend to three, five or ten heirs. By the third generation there might be fifty heirs, by

the fourth generation two hundred, and each heir found himself with an equity valued in fractions of dollars in ten or twenty or fifty scattered allotments. Regardless of such consequences, this process of allotment was pressed ahead, because while it was an enormously costly failure and blunder in all other respects, it did accomplish the two primary aims: it shattered the tribes, even down to their family units; and it transferred the ownership or use of the Indian lands to whites. In the years from 1888 to 1932, through land allotment alone, 90 million of the best Indian acres passed to whites. In 1933 only 50 million acres, two-thirds of it desert or semi-desert, remained in Indian ownership.

I must add just three more facts, because each of them is essential. First, depletion of natural resources. The policy through these decades was to "liquidate" the Indian, and since the Indian was being liquidated his properties had to be liquidated too. As recently as 1918 the dominant official in the Indian Bureau explained to a House investigating committee that since the Indians were being liquidated their forests should be cut clean and, in general, conservation should not be practiced on their lands.

Second, the dead hand of an absolutist and unlearning bureaucracy. Destroying the tribal and community organizations of the Indians, driving their religions into hiding, and shattering or disorienting their family life—in other words, atomizing them—necessitated an intense and very complicated development of dictatorial and bureaucratic controls. And the controls became centralized to an extent, and in ways, fantastic and unbelievable.

And finally, departmental autarchy. An official policy of this kind, committed to a dogmatic, unvarying and socially lethal course, had of necessity to exclude scientific research. The Bureau of American Ethnology started hopefully in the late 1870's to render intellectual assistance in Indian affairs. It was soon told "no help wanted." Anthropological research by public and private agencies was veered sharply away from any and all practical and governmental problems concerning the Indian. The appli-

cation of anthropology was retarded a full generation by this circumstance. It has not yet fully caught up.

By 1928 the Indians, by and large, were the most poverty-stricken population in the country. For most of the tribes the land base was severely inadequate or non-existent. Four-fifths of the residual Indian land, in value or potential yield, was unusable by the Indians because of the results of allotment in severalty and of fractionalization through descent to heirs. In most of the tribes all forms of human organization had been killed by the positive or negative official policies of seventy years. A high birth rate was slightly overreached by a very high death rate. The processes of "liquidation," material, biological, psychic and social, were moving forward with steady acceleration. And as a final, all-registering and all-embracing condition, propaganda and the course of events had blanketed the Indian's mind with a deep fatalism. He believed that as a social being he had to die; and other than as a social being, the tribal Indian did not want to live.

Now, no more of background. I take you to the year 1933. But first I want to emphasize that for eleven years before that time an extra-official drive had been pressed, its momentum growing with every year. Its central theme had been that the Indian societies must live and their cultures must be set free; allotment and its consequences must be ended, and tribal enterprise given opportunity; the life-will must be renewed, and the only sure way of doing this was strong doses of democracy; the monopoly of the Indian service over Indian life must be ended; and into those airless compounds which the reservations had become, the world's winds must blow. As a result of this pressure by unofficial friends of the Indians, and also because of other factors, the four years from 1929 to 1933 witnessed a gentling of spirit in the Indian service. Indian schooling was redirected into ways wholly promising. The beginnings of adult education were made. The property rights of Indians were faithfully regarded. The broader elements of the unofficial program

were projected in written statements. But the essential structure of the inherited system of Indian affairs was not reconstructed.

II

The principles that became dominant in 1933, and have remained so through the present, may be categorically summarized.

First, Indian societies must and can be discovered in their continuing existence, or regenerated, or set into being *de novo*—and made use of. This procedure serves equally the purposes of those who believe the ancient Indian ways to be best and those who believe in rapid acculturation to the higher rather than the lower levels of white life.

Second, the Indian societies, whether ancient, regenerated, or created anew, must be given status, responsibility and power.

Third, the land, held, used and cherished in the way the particular Indian group desires, is fundamental in any life-saving program.

Fourth, each and all of the freedoms should be extended to Indians, and in the most convincing and dramatic manner possible. In practice this included repeal of sundry espionage statutes, guarantee of the right to organize, and proclamation and enforcement of cultural liberty, religious liberty and unimpeded relationships of the generations.

Fifth, the grant of freedom must be more, however, than a remission of enslavements. Free for what? Organization is necessary to freedom: help toward organizing must be extended by the government. Credit is necessary to freedom: cooperatively managed credit must be supplied. Knowledge is necessary to freedom: education in terms of live local issues and problems must be supplied through activity programs in the schools; technological and business and civic education must be supplied to adults; professional and collegiate training must be opened to the post-adolescent group. And responsibility is necessary to freedom: one responsibility is perpetuation of the natural resources, and conservation must be made mandatory on the

tribes, by statute. Capital goods are necessary to freedom, and responsibility must be applied to capital goods: a tribe that handles its revolving credit fund irresponsibly must know that shrunken credit will be its lot tomorrow.

And now, principle six: the experience of responsible democracy is, of all experiences, the most therapeutic, the most disciplinary, the most dynamogenic and the most productive of efficiency. In this one affirmation we, the workers, who knew so well the diversity of the Indian situation and its incalitrancy toward monistic programs, were prepared to be unreserved, absolute, even at the risk of blunders and of turmoil. We tried to extend to the tribes a self-governing self-determination without any limit beyond the need to advance by stages to the goal. Congress let us go only part way, but the part way, when the administrative will was undeviating, proved to be enough. Often the administrative will was not undeviating, often the administrative resourcefulness was not enough, often the Gulliver's threads of the land allotment system and of the appropriation system kept the administrator imprisoned. The establishment of living democracy, profound democracy, is a high art; it is the ultimate challenge to the administrator. The Indian service since 1933 has practiced the art, has met the challenge, in ways varied enough and amid situations diversified enough to enable one to give a verdict which seems genuinely momentous: the democratic way has been proved to be enormously the efficient way, the genius-releasing and the nutritive and life-impelling way, and *the way of order*.

Principle seven I would call the first and the last: that research and then more research is essential to the program, that in the ethnic field research can be made a tool of action essential to all the other tools, indeed, that it ought to be the master tool. But we had in mind a particular kind of research, or, if you will, particular conditions. We had in mind research impelled from central areas of needed action. And since action is by nature not only specialized but also integrative of specialties, and nearly

always integrative of more than the specialties, our needed research must be of the integrative sort. Again, since the findings of the research must be carried into effect by the administrator and the layman, and must be criticized by them through their experience, the administrator and the layman must themselves participate creatively in the research, impelled as it is from their own area of need. Through such integrative research, in 1933, the Soil Conservation service directly originated in the ecological and economic problems of the Navajo Indian tribe. And in current years integrative research (the administrator and layman always participating) has pushed far back our horizons of knowledge and understanding of a whole series of the tribes, and has searched our policies, administration, personnel and operating methods to their foundations. I add, in passing, that such research has invariably operated to deepen our realization of the potentialities of the democratic way, as well as our realization of our own extreme, pathetic shortcomings.

In 1934 the Indian Reorganization bill was laid before Congress, where the hearings on it lasted several months. Some people ridiculed this bill because it contained 52 printed pages. They forgot that it was offered as a successor to the greater part of several thousand pages of Indian law. Until 1934 Indian tribes had rarely been consulted on the legislation introduced for their supposed benefit. In preparing this bill, however, the Indian office first sent to all the tribes questions concerning the Indian problems deemed to be central. Then the bill was furnished them all. Finally congresses of Indians were held in all the regions, gatherings in which practically every tribe in the United States was represented.

As originally introduced in Congress the bill had six main parts. 1. The Indian societies were to be recognized, and be empowered and helped to undertake political, administrative and economic self-government. 2. Provision was made for an Indian civil service and for the training of Indians in administration, the professions and other vocations. 3. Land allotment was to

be stopped, and the revestment of Indians with land was provided for. 4. A system of agricultural and industrial credit was to be established, and the needed funds authorized. 5. Civil and criminal law enforcement, below the level reached by federal court jurisdiction, was to be set up under a system of courts operating with simplified procedures and ultimately responsible to the tribes. 6. The consolidation of fractionalized allotted lands, and the delivery of allotments back into the tribal estate, was provided for under conditions which safeguarded all individual property rights and freedoms.

The first four parts of the Reorganization bill, as listed, became law. The fifth and sixth parts were lost. The fifth part may have been fortunately lost, because the tribes, under the enacted parts of the bill and under court decisions defining the unextinguished, inherent powers of Indian tribes, are coping with law and order more effectively with each passing year. But the loss of the sixth part was a major disaster to the Indians, the Indian service and the program. And Congress has not yet righted that blunder of 1934. The fractionalizing of allotted Indian lands rushes on; the real estate operation of leasing these atomized parcels and collecting and accounting for and paying out the hundreds of thousands of vanishing incomes becomes increasingly costly, and increasingly a barrier against productive work or thinking in the allotment jurisdictions; millions of their best acres remain unusable to the Indians.

In the meantime, however, the Indian service and the tribes are struggling to reverse the flood that is eating away the Indians' land base. This is being done through voluntary exchanges and relinquishments, which require contact with each of the all but innumerable heirs—fifty heirship equities may vest in one Indian, and one allotment may have hundreds of scattered heirs. And despite the difficulties the wasting flood has been checked and reversed in a few jurisdictions. It is only where this occurs that there can be a beginning of the positive program of using Indian lands through Indian effort. The situation is fully recognized

in the report of the House Subcommittee on Indian Investigation, issued last December. In passing so lightly over this very important subject I wish only to add that in this matter, too, the Indians are wrestling with a problem widely encountered in other lands. One of the heavy drags on the agricultural economy of Asiatic India, for example, is the ever-increasing fractionalization of farm holdings. And the formulae that are being successfully used here in the United States (but far too gradually, in the absence of the Congressional authority sought but not obtained) have application in Europe and in Asia.

The Reorganization bill, as finally enacted, contained a requirement that every tribe should accept or reject it in a referendum held by secret ballot. Those who accepted the act could organize under it for local self-government. Through a subsequent referendum they could organize themselves as federal corporations chartered for economic enterprise. Ultimately about three-fourths of the Indians of the United States and Alaska came within the act. A related enactment, the Johnson-O'Malley act, also passed in 1934, provided for the devolution of federal power to states and other political subdivisions, and for the enlistment of private agencies in the Indian task, through a flexible system of contracts and of grants-in-aid.

In the past twelve years the Indian service, on the basis of this legislation and impelled by the principles that I enumerated above, has striven to the end that every one of the particular programs—conservation, the cattle program, community organization, schools, the credit program, health, the Indian branch of the Civilian Conservation Corps and the other depression-years programs, the arts and crafts work—that every particular program should serve the primary aims of freeing or regenerating the Indian societies, and infusing them with the spirit of democracy, implementing them with democratic tools, and concentrating their attention upon their basic practical exigencies. All the time—year after year, and cumulatively with the years—we who were doing the work observed sadly our partial failures, here and

there our complete failures. Yet we also witnessed a development that has far outweighed the defeats.

We have seen the Indian prove himself to be the best credit risk in the United States: of more than \$7,000,000 loaned, only \$2,700 has been canceled as uncollectible. We have seen the Indian beef cattle holdings (nearly always they are managed cooperatively) increase 105 percent in number of animals and 2,300 percent in yield of animal products; and we have seen this increase take place on ranges that in varying measures were gutted by erosion caused by overgrazing twelve years ago, and now, in general, are overgrazed and gutted no more. We have watched scores of ancient tribal systems reorient themselves toward modern tasks, while more than a hundred tribal democracies have been newly born and have lived and marched out into life; these democracies are political, industrial, and social. We have witnessed the Indian peoples giving themselves with ardor and discipline to the war; 25,000 of their young people have served in the armed forces, with the highest volunteering record, we believe, of any population in the country. Finally, we have seen the Indian death rate more than cut in half, and for this achievement the expanded and improved clinical services supply only a partial explanation: the changed anticipation, from death to life, the world winds that blow at last within what were the reservation compounds, the happiness and excitement of democratic striving and clashing and living—these are the significant explanation of a 55 percent decrease in the death rate in less than ten years.

III

I have summarized the facts of Indian life as they had come to be before 1933, and have stated the main aims which guided or at least impelled the efforts toward change. I have described the diversity of situation in which this multitudinous endeavor, by many thousands of participants, has gone on for twelve years. I have outlined its legislative background, though I have omitted

reference to the governmental blockages and squirrel-cages in the areas of appropriation, accounting, civil service and procedure, and the invasions of administration by the legislative branch; these can never be dropped from view in the making of administrative programs or the appraisal of results, but I shall deal with only one aspect of them in this paper, and that a little later. What I propose now is to offer some concrete illustrations, case histories if you will. And it is here that my task becomes difficult, for I must be highly selective, must relate my cases to the theme—Indian affairs as an ethnic laboratory—and yet not distort the record as a whole.

The story of Acoma, a New Mexico pueblo, is the story of how a sky city came down to earth and the stone age overshot the contemporary mark. But in telling it I shall start with an incident that occurred back in the middle 1920's, about a decade before the changes began.

At that time the Indian Bureau had renewed its drive against the Indians' and especially the Pueblos' religions. A confidential document was passed from editor to editor, churchman to churchman, describing the tortures and pornographies which were officially averred to be at the heart of the Pueblo ceremonies. The Commissioner of Indian Affairs met with the Pueblo Governor and his Principal Men at Taos, and informed them that they were half-animals by virtue of their paganism. The particular issue was an attempt by the government to forbid Pueblo boys from going through the initiation vigils and disciplines through which they were taught the mystic lore and were made into men. Acoma wanted advice, and three of us went there from California. We hired an old Ford car which could travel twenty-five miles an hour, and we drove to the town of McCarthy's to find the Governor of Acoma.

An Acoma boy met us on the highway and ran ahead to McCarthy's to notify the Governor. There he learned that the Governor had departed on foot for Acomita, fifteen miles east. The boy ran to Acomita, and on arriving he mistakenly told

the Governor that we were journeying to meet him at Old Acoma, the sky-city. The three towns mentioned form a triangle, and each is fifteen miles from the other.

When we reached McCarthy's, a little while before sundown, we learned that the Governor was at Acomita. We drove to Acomita. There we learned that he had departed on foot for Old Acoma to greet us; when the boy runner had given him the mistaken information the Governor had been at Acomita only a few minutes, having run there on some Governor's business from McCarthy's. The Governor, a Carlisle graduate, was seventy years old.

It was night now, but moonlight. We drove to Old Acoma. And when we had climbed to that city of dreams, up the long sand dune that breaks against its higher crags, we learned that the Governor had discovered his mistake and had run back to McCarthy's. So we drove to McCarthy's, lost our way, our headlights went off, and shortly before dawn, by the light of a waning moon, we tumbled down the steep rocky road from the higher country and found ourselves at McCarthy's. We were tired and we hoped to sleep. But there in his house sat the Governor, his Principal Men around him. He had run forty-five miles, but had not thought of rest. Coffee and bread were awaiting us, and we launched into a meeting that lasted till afternoon. Then the Governor said to us, "Now you friends go to my inner room and sleep. I've got some irrigation ditches to look after."

This incident, rather than the greater subtleties, intensities and mysteries of Acoma, comes to my memory as I try to summarize what happened there. Acoma lives by virtue of the Ancients. They are within the wills of the living men of Acoma; the future must be saved for them. But equally true of Acoma is Swinburne's image of the world wave which "rolls under the whitening wind of the future." Our conventionalized apprehensions, semantically and mechanistically thought-bound, do not quite apply to Acoma. Its deepest solemnities are shot through with gaiety; merrymaking surrounds the rituals and vigils upon whose

efficiency life and the planet are believed dependent. Through the deep-based security and assurance of the Ancients Acoma is carefree, and it delivers itself to joy and to work, with nothing held back. The eagle soaring, the patient beast at the plow, the desert cactus and the plum and peach blossom, the old Governor who runs all night, deliberates all day and then goes to tend the ditches, who is not tired and does not scold the boy who told him wrong—all these are Acoma, but, sociologically, none of them is symbol enough. Acoma is also a primary social group which is at the same time a complex city-state whose life-giving democracy strikes across and beyond all the forms; it is a summation of the stimuli of an enormous past whose nurture and motivation are institutionally insured and wrought into happy, dauntless personalities; and it has a capacity for social action in the face of new emergencies, as we shall now see.

In 1933 Acoma had about a thousand people, and its numbers were growing. Irrigation farming could not be much extended. The cash crop and main sustenance was cattle and sheep, but the government had encouraged maximum livestock numbers, and Acoma's lands were seriously eroded, the erosion accelerating each year. In its wounded condition the range could support 8,500 sheep units without being further wrecked. The sheep units on the land numbered 33,000. What could be done?

Conservation had been made mandatory upon Indian lands, under the Indian reorganization act. But we did not call attention to this fact of law. We knew that the exigency must be met, if it could be met at all, by methods having nothing to do with compulsion. We also knew that white stockmen have never voluntarily carried out a drastic stock reduction on a public range. Acoma's position was entirely comparable: the range was common, and Acoma collected no tax for the use of it; the livestock were owned individually by a minority of the households; ownership was uneven, divided between little and big owners.

I must pause to explain about this problem of soil wastage, which is truly one of our national challenges. It is caused by

overgrazing, by the unwise breaking of grasslands to the plow, by straight instead of contour furrowing, and by the reckless use of fire. In the west overgrazing is the principal cause, and at Acoma it was the only cause. Overgrazing results not from greed and shortsightedness alone, but from the failure to use ecological and social knowledge, and from economic and social pressures that may sometimes appear remote. Ranges close to the Spanish-American villages in New Mexico are often hideously abused, and they have to be abused, because the villagers, who require at least a minimum of livestock for their subsistence, have been pushed off by the big commercial grazers from the ample ranges they used two generations ago. On the vast Navajo reservation the truly appalling soil wastage is due to the circumstance that for many decades the government encouraged and practically compelled the Navajos into a one-crop economy, sheep and goats, and, though their population was multiplying, Congress forbade them to extend their landholdings, as it forbids them now.

Since 1933 soil conservation has called into being a new integration of subject-matters and disciplines, natural and human. The soil conservation operation is conceived complexly, and as a process covering a rather long time. To be specific, but incomplete, soil conservation necessitates range-rest, reseeding, contour furrowing, water spreading, the vegetative healing of gullies and canyons. It requires a new enterprise and resourcefulness in animal genetics; and of livestock-owning populations that are near the subsistence level it demands changed methods of herd management and marketing and, usually, a shift for a long or brief period—usually long—to a more diversified economy. All this has deep-reaching effects, social as well as natural. The mere reduction of livestock may affect rather profoundly the status system within a social group. It strikes at individual security and it smashes headlong into habitual practices and expectancies.

Now back to Acoma. The Soil Conservation service had ascertained the facts. The responsibility of finding the answer

fell upon the superintendent of the United Pueblos Agency. That superintendent, I may mention, was a woman. In 1936 she invited the officers of Acoma, and in time the whole population, into conferences with her staff and the Soil Conservation staff. There the appalling fact was told them, that if their lands were to survive they must reduce from 33,000 to 8,500 sheep units. This was no command from the government. There was no command, and there would be none. Acoma was merely being furnished the facts, and it would also be furnished technical assistance, if desired. The conferences lasted through days, weeks, months. Gradually they broadened and deepened, and passed from point to point, until much of what was known about soil saving was known by the Acomas. The whole deep, living past of Acoma, and the vision of the ages to come and of the land to be saved for those ages, slowly absorbed the new facts and adopted their challenge. The thing was done. Acoma effected the crushing reduction, went through with all the sacrifices, applied conservation science through its whole gamut. And Acoma saw the ranges begin to heal, saw the weight and fleece of the residual animals increase, saw their sales prices soar through collective marketing.

The Soil Conservation districts, now numbering thousands, came into existence subsequent to Acoma's achievement, and came to be one of the most creative expressions of democracy in our white American world. Acoma, with Laguna pueblo nearby and the vast Navajo territory to the northwest, was the pioneering Soil Conservation area, and none of those in the white world have approached it in severity of sacrifice and brilliance of accomplishment.

I have given a good deal of space to Acoma, not only because concrete and narrative statement is better than summary and abstract statement, but also because in the light of later experience it appears to represent more than just Acoma, or Indians in the face of modern challenges, or soil conservation democratically pursued.

For one thing, the refusal to use coercion, and instead the procedure of patiently waiting and skilfully endeavoring until the Pueblos' own central will took a painful task unto itself, had several specific rewards. Acoma did not develop bitterness and resistance toward social programs, toward technicians and "theorists," but on the contrary, developed confidence in them, and enthusiasm. Again, assuming that the soil conservation job had to be done—and it certainly had to be done—the government saved itself unknown amounts of money, probably millions, by using social science and relying on the principle of democracy. Further, no divorce was created between the old, lasting life, its consecrations and hopes, and the new life; instead, the old life created the new, and no dichotomy arose at all, no split in the community organization, no conflict between fundamentalism and science, and *no conflict between world views*. The Acoma personality saved itself whole.

For another thing, Acoma refuted the stubborn error that Indians are segregated within their societies, immured within them from the world. It was within their society, for their society, by virtue of its powers, that the people of Acoma flashed beyond the world present into the world future.

Finally, there is another point that I shall mention in connection with Acoma, for it certainly applies there, though it concerns a discovery which was not made until later, and in another place, among the Hopi Pueblos in Arizona. I have emphasized the complex, the really multi-dimensional character of soil conservation science. It is ecological, drawing upon all the social sciences and requiring that the mind and the will shall dwell upon wholes—complex wholes—and shall contemplate a long time-process. And the discovery to which I refer is a discovery about personality structure and bent of mind. I believe that it is true of Acoma, just as it has proved to be true where we first observed it, among the Hopis 250 miles northwest of Acoma.

This personality structure and bent of mind become manifest quite far down in the age scale. If any one word can describe

their quality it is the word *holistic*—the capacity to entertain complex wholes and to maintain the complexities in a dynamic equilibrium. It is what one might anticipate from knowing the age-old nature of the Pueblo city-state: its necessary struggle, never intermitted, to survive in a desert environment amid foes pressing from every side, where abortive judgments might bring death; this struggle never exclusively extroverted, however, but always, as its first and last reliance, attending to the deepening of will and consciousness within the individual, and profoundly persuading man that the universe itself is dependent on the human intensity of thought and of will, achieved within tranquillity. In such city-states the holistic and artistic bent of mind is the very inmost fact and the guarantor of survival power. And such is the bent of mind which can easily master the complexities of the soil conservation program.

This discovery which we have made among the Hopis, even if it does not prove to hold good for all the Pueblo tribes (apparently for some it does not) modifies our perspective upon these tribes. We see them as being not backward in time but forward in time; competent not merely to deliver their individuals into the civilizational level which the country knows now, but into a civilizational level far and critically beyond the American standard of today. And if our perspective be thus changed, if we see these tribes in this way, our administration, our education, our system of personnel and quality of personnel, are indeed challenged. It is the future Indian service that must meet the challenge. So far it has not met it, except in spirit and by intention.

Now another and contrasting story, this one about the Navajos, those most magnetic of all Indians. When Kit Carson destroyed all the fruit trees in Canyon de Chelly and the Navajos were exiled to eastern New Mexico, they numbered probably 12,000. That was in 1863. Today they number 55,000, and they increase at more than 2 percent each year. Their 20 million desert and semi-desert acres rival in beauty any of the scenic splendors

to be found on our globe. There is a great forest, too, and underground there is oil, and there are 60 billion tons of low-grade coal.

But the land itself, as distinct from these timber and mineral resources, could not support 5,000 whites. For several decades the government urged the Navajos toward sheep and always more sheep, even forbidding them to sell the breeding ewes. A huge overload of stock developed, and erosion on a monstrous scale. The Navajos have the money (from oil) to buy new land, and they offer to pay the local taxes on any land they buy, but Congress holds their cash; the Budget Bureau, too, is loath to see the Navajos pay local taxes. So new land remains unbought. A large irrigable area awaits a grant of irrigation construction money from Congress. Almost the first action of the administration which took over Indian affairs in 1933 was to send a "commission" to the Navajo country. The Navajo tribal council met in July of that year, and the commission reported direct to the council. Its report was not very different from the one that was subsequently made to Acoma pueblo in 1936. The tribal council was deeply shaken. It returned home, sought advice, and came again to say that facts were facts; erosion must be stopped; the stock overload must be reduced to carrying capacity.

That was twelve years ago; and today, on the Navajo reservation, anguish of spirit is a wolf against the breast, and struggle rages, hardly less than any year before. I do not present the Navajo record as a failure. There are no large lines of the endeavor which the Indian service would erase if it could go back. But I rapidly give the following facts.

The Navajos are widely scattered over their lands, which constitute a sixth of the total area of New Mexico. As a tribe they are not a primary social group; their primary groups are extended families and little neighborhoods. Nor did they have in the past any consecutive organization of the tribe as a tribe. Their political government dates only from 1923, and until 1933 it was a yes-man government with severely limited powers.

It was this young, immature and hitherto narrowly circum-

scribed institution of government that had thrust upon it the overwhelming and urgent problem of reducing stock and controlling soil erosion. Other responsibilities and authorities were extended to the tribal council at the same time, and reorganization and enlargement of the council were pressed. Then, in a little more than a year, the Navajos, like the other tribes, were required to choose, by secret ballot referendum, under a universal franchise, whether they would adopt or reject the Indian Reorganization act. Acceptance would have made the conservation of resources mandatory upon them. But the Navajos rejected it by a very narrow margin, and thereby, for a decade, lost access to the credit fund, the land purchase fund, and the system of orderly devolution of powers to the tribe, which were provided for in the act.

Greatly telescoping the record, I set it down that again and again over the years the elected tribal council affirmed the conservation program, enacted the implementing ordinances, struggled with the people over the issue, and went into defeat at the next election. The struggles over this single subject so monopolized the field of debate and of decision that in nearly all other matters the political development of the tribe was stopped dead. Today, in 1945, the tribal council operates without an executive committee or any standing committee.

Of eighteen Navajo districts all but five have now reduced their stock to carrying capacity, and those five will soon have done so. The sheep genetics laboratory of the Navajos has produced from the ancient Navajo breed an offspring as hardy as his sires and heavier in meat and fleece, which yields multi-purpose wool. Stockwater and irrigation development have increased the reservation's agricultural potential by the equivalent of as many sheep as have been taken from the range. But the population grows faster and faster—the human population. And the Navajos feel that they have submitted to conservation, not that they have achieved it.

At the end of the record, this is what nearly all of us see as the most important fact: the Indian service has not had, or has

not used, the means whereby it could reach the intellect and the psyche and the social opinion of the Navajos at the "grass roots." One who goes quietly there, to the homes and little neighborhoods, and stays a while, encounters ample capacity to think, ample readiness to think, and a deep and often sad sentiment of responsibility toward the people and their land. The barrier of language is a very heavy obstacle, but a heavier one is the awareness in the wise Navajos themselves that whatever their perceptions and their understandings may be, there exists no mechanism for translating the insights and impulses into tribal decisions and actions. As for the Indian service, driven, veritably hounded by the exigent overall requirements, it has not often dared to pause and to try to think through and feel through the problem of how the service and the issues can be merged with each of the local communities, one by one.

As I have said, I do not present the Navajo record as one demonstrating the failure of a democratic attempt which was very energetically pressed. I do not even ask whether it might have been a wiser course, in this one case of stock reduction and range management, to have used authority, frankly and absolutely (the authority fully existed), and not to have cast upon the new and groping political democracy of the tribe so crushing a weight. Nor do I ask whether it might have been better to take no notice, for a few years more (as the prior administrations had taken no notice), of the dread erosion situation, and to have devoted to community organization among the Navajos, and to the development of subsidiary natural resources, the energies which were flung lavishly into the conservation enterprise—to have done this for a few years without hurling the administrative energies along the line of greatest resistance, the stock reduction issue.

It is more useful to look forward. Conservation is now, at last, very near to accomplishment on the Navajo lands. An outlet for tribal migration is likely to be achieved soon, and before very long the decisive irrigation potentialities of the San Juan

basin, in the northeast corner of the Navajo reservation, will probably be realized. Therefore now (remembering that now is beginning as well as end), now is the time for the Indian service to pause, to go out and stay among the grass-roots communities, to start building diversely among them not eighteen land-use districts but hundreds of diverse Navajo communities. No potency of Navajo life that existed in 1933 is absent in 1945. Now as before, there is no people, anywhere, among whom *esprit* and *élan vital* are more regnant. The looming material disasters, which in 1933 and afterward seemed to demand the immediate and uniform actions of those years, have been overcome or are almost overcome. And a wealth of knowledge and experience has been accumulated.

To these case histories must be added a couple of examples showing specifically the significance of the Reorganization act in the dynamic process of Indian relations. To the Indians this enactment is a symbol and a hugely efficacious implement. To trace its operations in the many hundreds of organized groups, amid the economic diversities that are strewn between the Florida Seminoles and the Alaska Eskimos, would be the task of a good-size book. I have already mentioned the results that the statute has achieved in the use and management of credit and in livestock enterprise. Now I present, briefly, two concrete examples of how the act has operated in general.

The Indians of Fort McDermitt, Nevada, represent more than a dozen other Nevada cases. Formerly they possessed a homesite and some grazing land, but no land for the growth of winter feed and no base property entitling them to run livestock in the public grazing district. They subsisted through hired-hand work, more or less seasonal. Gloom of spirit occupied their souls. They adopted the Native American church (the peyote cult), but the strong consolations which that cult brings, and the enfranchisement into an ideal world, were not enough to overcome their sense of the real. They were an imprisoned people. Each year, from among their 280 members, three or four or five

committed suicide by drinking hemlock. But they refused to disperse.

They accepted the Reorganization act, and organized and chartered themselves under it. Through the land acquisition authority of the act some ranches were bought for them. These yielded winter feed and carried base-property rights in the grazing district. Under the act they borrowed the necessary working capital for the ranches. From the livestock pool of all the tribes they received breeding stock, later to be repaid to the pool from livestock offspring and to be loaned again to other tribes. I visited McDermitt a year or so ago. One white man, who taught 47 children at the tribe's day school, constituted all the federal "bureaucracy" there was. McDermitt had made of itself a complete and a quietly but radiantly happy community.

This is but one of many hundreds of cases. Except within the souls of the McDermitt Indians it is not spectacular or romantic. But it suggests why pallor, fear and anger sometimes sweep the Indian mind at the spectacle of the effort, renewed every year in Congress, to repeal the Reorganization act, resume the process of atomizing the Indians' lands and their lives, abolish the Indian extension service and the Indian community schools, and drag the community funds of the Indians back into the United States Treasury. The plenary authority of Congress over these life and death concerns of the Indians still operates in effect, just as it operates with respect to offshore dependencies of the United States.

The other case that I shall give is that of the Jicarilla Apaches of northern New Mexico. I remember the Jicarillas as I first knew them, twenty-five years ago, when they visited Taos pueblo at festival and ceremonial times and lived in temporary "dens," as the local white people called their abodes. They were dying off rapidly in those years. Then I remember them at a Senate Indian Committee hearing at Santo Domingo pueblo in 1930. They waited, standing silently, all day, and then they were heard. They wanted help, they were desperate, they said, but they could

not say what help they wanted. They wanted better rations. They were dying too fast. Then I remember them in 1937, at Jicarilla. I met with them out of doors, and Chester Faris, the Indian service official whom they rightly trusted and loved, was with me. The tribe had accepted the Reorganization act. But talking with them about organization and incorporation and a Rochdale cooperative enterprise and revestment of land allotments into the tribe was an experience like that of penetrating a silent moorland waste through a dense ground fog. I knew, however, that any assent they might give would come from a deliberative center which, though disused, was not extinct.

Before I had gone to Jicarilla I had been hearing more about Emmet Wirt's bad dog than about the Apaches. Emmet Wirt monopolized the trade and credit of the Apaches, and was famed as a benevolent but whimsical despot. His big dog liked Apaches but disliked white employees and their dogs, and occasionally chewed them up, and Wirt sided with his dog. I was told, "Don't you go to Wirt's house unaccompanied." I went, and his dog embraced and adopted me, and therefore Wirt embraced me too.

It was, in fact, Emmet Wirt who first caught the vision. Wirt cared deeply for the Apaches, and the Apaches, unlike the white employees and their dogs, feared neither his dog nor him. Nearing his time of death, Wirt had brooded over who should succeed him in his uniquely personal guardianship of the Jicarillas. He had found no successor. Then the solution, an impersonal one, reached him with the decisiveness of a thunderbolt: a tribal enterprise patterned on the Rochdale cooperative system. And with perfect disinterestedness Wirt gave his remaining brief time to this idea.

He is gone now, and his dog had to be shot because loneliness paralyzed him when Wirt died. The Jicarillas have become a modern cooperative commonwealth. They live by sheep. All their wholesale and retail buying and selling, their banking and brokerage, are cooperative. They have turned back their land allotments to the tribe. Their borrowings, from the Reor-

ganization act credit fund, are all repaid. Their political government, in a state where utopias are not looked for, is utopian. They have changed from a dying group to one increasing four times as fast as the whites.

Finally, before I proceed to a summation of what has been learned during the last twelve years in the Indian ethnic laboratory, I want to mention a few contrasting examples of what has come out of the principle of research, which I emphasized above as the nexus of the whole program that was inaugurated in 1933. I have recounted how in 1933 a group was sent to examine the land conditions on the Navajo reservation, using the tools of soil and water engineering, plant and animal ecology, human economics, administration, and action by tribal societies. I have told how this particular research was handled, among the Navajos and at Acoma, and now I trace two subsequent developments.

One, which was major, was the establishment of the Soil Conservation service. Through the initiative of that service a new institution of federal-state-local, governmental-unofficial, and research-action enterprise was set up, the Soil Conservation districts. These—with the county planning organizations which were set in motion by the Department of Agriculture and subsequently smothered by anti-intellectual criticism on the part of Congress—came to be the most widely distributed agencies in the whole country for action-research, research-action. The Soil Conservation districts go ahead and multiply.

The other subsequent development, which proved to be quite minor but which carried an important lesson in research methodology, was the establishment in 1935 of the organization called "Technical Cooperation, Bureau of Indian Affairs." This agency was directed by the Indian service but financed from temporary funds of the Department of Agriculture. It put into the field groups of specialists who, working together, studied and planned in rather swift succession on a large number of the Indian reservations. The group included soils and water specialists, agronomists, anthropologists, and specialists in social economy.

The work of this organization was very competent indeed, and was integrative of the relevant specialties, but because of the fund limitations it had to be conducted on a fast schedule. Therefore it could not wait until a felt need, related to action, had been evoked from employed personnel or from Indians in the jurisdictions. It could not, or at least did not, involve the administrators and the Indian laity in its explorations, discussions or conclusions. It could not veer its data and recommendations back into the action programs. And more subtly and fatally, the staff itself was prevented by the severe time factor from reaching down into the highly particular contexts of stresses and strains, informal as well as formal social organizations, traditions, limitations, and all the other factors which in their totality were the resistant and dynamic whole of the human-environmental communities that were being studied. Some hundreds of thousands of dollars were spent in this enterprise of research, yet the results, by failing to become true social planning, eventuated in hardly anything more than a valuable assemblage of related ecological, economic and anthropological data whose parts were not really integrated because they were not integrated with the living, local, social whole. I add that Technical Cooperation was headed in succession by two very experienced and competent administrators who knew the Indian service as a whole and had prestige in it. What they were striving for was action-research, research-action, and participation by administrators and local laity. But their budget demanded quantity production, and it had to be spent in a limited time. Their creative and practical aims alike were marred as soon as born.

My final example of research concerns an operation that is still unfolding. Secretary Ickes wanted, and so did I and so did Willard Beatty, director of Indian Education, a realistic and radical reexamination both of aims and of methods in Indian schooling and Indian administration. After much searching we made our arrangements, cooperatively, with the University of Chicago (Committee on Human Development) and later with

the Society for Applied Anthropology (Committee on Administrative Research). Five representative but contrasting areas of Indian life were chosen (Hopi, Navajo, Papago, Zuñi, Sioux) for a searching study of child development within the context of the community, including the governmental and non-Indian institutions—all of this against the background of the living tribal past and within the web of the natural environment. The disciplines to be integratively used included anthropology, psychology, medicine, ecology, economics and administration. Lay workers were to be used at every possible point, and the administrators were to be partners in the research from start to finish.

The original action-need that impelled the work—a realistic, radical reconsideration of policy and of method—at once broke down into specific problems: questions of reservation policy, means of communication between Indians and administration, school curriculum, content and method of adult education, fuller use of native resources, group and individual tensions, types of personnel required for types of work, impact of industrial economy, impact of the war, and so on endlessly. If the technician should lose sight of these concrete questions, the administrator and teacher, nurse and doctor, and the Indians, would soon bring him back.

From the point of view of scientific research the quality of the work accomplished is evident from the published volumes and papers. In practical terms, I can assert that the results have quite revolutionized our understanding of what Hopi and Navajo and Papago Indians are, what they are ready for, what they can do, and what values and goals their education should have. This research has forced our administrative and organizational thinking back from unrealistic large-unit dimensions to the Hopi village, the Navajo and Papago and Sioux and Zuñi local communities. It has sternly commanded us to face a task far too long deferred: that of so arranging the Indian administration as to insure career services within tribal areas, and of making such changes in the organizational and personnel system as are neces-

sary for this result. It has proved to us that our contact, as an Indian service, with the latent or silent wisdom of the tribes, with their more potent native leadership, and with their anxieties and their genius alike, has been far too accidental, intermittent, peripheral. It has demonstrated that our lay personnel in Indian service have many capacities that they and we are not using, and therefore are leading narrower, less productive, less healthy lives than they are ready for. Perhaps most important, the results have disclosed, to the collective view of those doing and observing the work, possibilities and challenges and imperatives out beyond the farthest reach even of the top administrators; this deepening of the work horizon is worth everything to an administrative service. Finally, this research has added much of body and substance to our realization that each of the Indian tribes, though merged with the world, is a unique, rich and differently destined world in itself, whose wants and trends and capacities and dominant needs are often not the ones conventionally talked about or the ones naively seized upon by the functional specialist or sensed in a first impression by the rule-of-thumb administrator. Whatever worth to pure science this particular research enterprise may prove to have, it has intellectually led members of the Indian service, far more deeply than before, into viewing ethnic problems in universal terms.

IV

The ethnic laboratory of nearly three hundred Indian tribes has yielded richly, will yield more richly in the years ahead, and its yields do not conform with any one line of presupposition. No—there is one line of presupposition that it bears out. Making people free by helping them to confront real emergencies which they are capable of mastering is equivalent to the creation of new human and social energies. This effect is particularly dramatic when the freed peoples have been for a hundred years—as were our Indians—imprisoned within the fatalisms of unrealistic alternatives. This lesson, of world import, is taught equally by the

contrasting Navajo and Acoma records. In the Navajo case a reliance placed on the historical political forms and dynamics of Europe and white America—I mean, an immediate, predominant and first-instance reliance—was confuted by the event. At Acoma, if the Indian service had done less than cast the difficult load onto the *whole* pueblo organization, its covert as well as overt elements, the brilliant and happy outcome would have been unlikely. Even if the particular practical result could have been won by the lesser means, the effect would have been to deprive the pueblo as an institution of a supreme opportunity. A truly deep democratic action was achieved at Acoma precisely by not seeking to persuade that action into a conventional European and white American mold.

This task of the guardian government to make free the peoples who are its dependencies demands not only sincerity of disinterested purpose but also deep knowledge of what those peoples are, and of the material environment within which they have their being. In particular (but this is true of all human life) *what they are* must be known in relation to *what they must conquer*. Here we verge upon social planning, which is just now beginning to be born, and upon administration as art and science, which is just beginning to be born. In dealing with pre-industrial and pre-literate peoples, with colonies and dependencies, it has been the rule to rush in where angels would tread very cautiously. I mean, customary for dominant and guardian governments and religious and social missionaries and investment bankers thus to rush. Acoma and the Navajos, both, out of somewhat opposite records, raise their voice for knowledge and more knowledge, wisdom and more wisdom, and all possible freedom from the panic of haste, in the dealings which are upon us—the inescapable dealings—with the ethnic groups of Oceania and Asia, the Caribbean and Africa and our western hemisphere countries. Hundreds of millions of people raise or will raise the same voice that Acoma and the Navajos raise now.

It is no contradiction if I add, however, that even blunderingly

making dependent peoples free to grapple with real emergencies is hygienic, life-releasing and life-saving. The apparent contradiction is canceled out with time, if the administrator is faithful to the spirit of science, to the spirit of that knowledge which he has not yet mastered. It is from the needs of action that knowledge is dynamically empowered. Imperfect action is better for men and societies than perfection in waiting, for the errors wrought by action are cured by new action. And when the people acted upon are themselves made true partners in the actions, and co-discoverers of the corrections of error, then through and through, and in spite of blunders or even by virtue of them, the vital energies are increased, confidence increases, power increases, experience builds toward wisdom, and the most potent of all principles and ideals, deep democracy, slowly wins the field. This presupposition of the Indian administration since 1933 has been borne out by all of the experience.

Another conclusion that holds significance for dependencies everywhere pertains to the technical instrument, the Indian Reorganization act itself. I have remarked that over Indian matters as over offshore dependencies, Congress still holds plenary power. But in the Indian Reorganization act, and in some other related statutes, Congress through general legislation has adopted *self-restraining* ordinances. The Reorganization act furnishes a flexible system for the devolution of authority from the government, including Congress, to the tribes. The Johnson-O'Malley act furnishes the machinery for devolution from the federal institution to local subdivisions of government. The Pueblo Lands act places the Pueblo tribal corporations in control of the communal moneys. It is true that all three of these acts explicitly or by implication (and through the course of congressional and administrative interpretation) affirm that federal responsibility shall continue, no matter how far the devolution shall go. They contemplate that a single, integrated agency of administration shall continue to exist, charged with the effectuation and defense of the congressional policies. At the same time, however, this

power of defense includes defense against congressional attack on the policies; and, in addition, the acts contemplate that the single, integrated agency shall procure the needed services rather than itself supplying them. The Reorganization act offends many prejudices and blocks the ambitions of many and powerful special interest groups, and therefore it has been under attack within Congress every year since it was enacted. Yet it has not been repealed or weakened in any item. The act which freed the Indians and moved administration toward diversity of program and method has proved to be also a conserving and stabilizing measure.

My next, and related, item is a less happy one, though its general significance for dependencies does not perhaps extend beyond the sphere of the United States. The policies established by legislation in 1934 have withstood every attack unimpaired, *except* attack through the appropriations system. Increasingly in recent years the appropriations acts of Congress have been made vehicles of covert legislation. The appropriations subcommittees, especially in the House of Representatives, are all but autonomous; the House gives only a fiction of deliberative consideration to the annual supply bills. In numberless cases Congress has concluded after careful deliberation that such and such policies shall be law, and has then proceeded to rubber-stamp appropriation bills which nullify and reverse the policies.

Specifically, in the Indian field, land acquisition for Indians, authorized by Congress, is blocked through the appropriation bills; the situation is similar with respect to the expansion of the Indian cooperative credit system. Congress legislated that Indian tribes and corporations should be given technical advice and assistance in their operations, and then the appropriation act nullified the legislation. The United States entered into treaty with fourteen other western hemisphere countries, and by the treaty pledged herself to maintain a National Indian Institute; the House subcommittee on Interior Department appropriations has flaunted the treaty commitment. In general the appropriation acts have handicapped the Indian service and the Indians

in the realization of every democratic, libertarian policy that Congress has established as the law of the land.

This anomaly of our congressional system has effects, of course, far beyond Indians and dependencies and ethnic problems. But precisely because it is an evil of so universal a reach, we may expect it to be corrected in times ahead. While it lasts, it hangs like a gloomy shadow over the Indians and over territories and dependencies such as Alaska and Puerto Rico.

My next conclusion drawn from the Red Indian ethnic laboratory has to do with social research. Prescriptions of doing and prescriptions of avoidance are alike written plain by experiences. I have stated our ideal, that research should be evoked by needs of action, should be integrative of many disciplines, should involve the administrator and the layman, and should feed itself into action. In the actual event we have carried on social research of this kind—and we have also carried on research that was specialized, unintegrative and unconnected with action. In the latter case we have not meant to proceed in such a way, but have been forced into what we believed was the less productive method by administrative limitations, by unforeseen, premature stoppages of the enterprises, or by personal equations. We have learned that the action-evoked, action-serving, integrative and layman-participating way of research is incomparably more productive of social results than the specialized and isolated way, and also we think we have proved that it makes discoveries more central, more universal, more functional and more *true* for the nascent social sciences.

But let me emphasize that this kind of research makes demands on the research worker that are far more severe than those made by the specialized and isolated kind. It requires of him a more advanced and manysided training, and in addition a type of mind and personality which can sustain, in suspension, complex wholes and which can entertain—yes, and be drawn and impelled by—human values and policy purposes while yet holding them disinterestedly far away. Such research lays on the participating

administrator, too, a new kind of demand, and compels him to make in turn new kinds of demands on the system within which he works. And it requires elbowroom in the time dimension. Here we are touching on a subject of huge importance not only to ethnic groups but to human society and the relation of man to his planet, and certainly it can be no more than touched on. I do suggest, however, that in the direction here implied, social science is now verging on a new epoch of methodology, of aim and of use, with all that this implies regarding careers for young minds and preparation for such careers.

Now, finally, five further conclusions from the Indian record, which bear upon other ethnic problems at home and abroad.

First, biological race, whether it exists or not, is without practical importance. There accumulate within and around races that are biologically distinguishable, and within and around races that are not biologically distinguishable, those in-group and out-group factors whose aggregate is called "racial." The factors are socially caused and socially transmitted.

Second, in ethnic matters, as in other vital matters, governmental intervention can be baneful or benign. In any field of human relations, when government tries to do the whole job, authoritatively and monopolistically, the result is baneful. The earlier Indian record is replete with evidence of this. But when government makes research an inseparable part of its ethnic operations, eschews monopoly, acts as a catalytic and coordinating agent, offers its service through grants-in-aid to local subdivisions, and yet holds in reserve a mandatory power sparingly used, then government can be decisively benign, as the recent Indian record also demonstrates. It is of national importance, and necessary to the good role of our own government in the world, that ethnic groups shall have equality of opportunity, shall be enabled to contribute their ideals and genius to the common task, shall not suffer discriminations, shall be free to breathe deeply the breath of public life. The Bill of Rights and the Constitution must be made good. It follows that government—specifically, our fed-

eral government—should and must concern itself with ethnic matters, and that the methods should be right and not wrong ones.

Third, the individual fares best when he is a member of a group faring best. All human beings, in young childhood at least, are members of groups. The group is the tree and they are the fruit it bears. At least up to a certain age level, the individual reft from his group is hurt or destroyed. The ruin inflicted on Red Indians through the white man's denial of their grouphood, and his leading them to deny their own grouphood, is only a special case of something that is universal. It may be that contemporary white life is being injured nearly as much by the submergence of its primary social groupings as the denial of Indian grouphood injured Indian life. And if the primary social group in white life were regenerated for full functioning, through resourceful and sustained social effort, and were dynamically connected once more with the great society, the hygienic and creative results might be no less startling than those observed in the comeback of Indian societies.

Fourth, in ethnic groups of low prestige the apparent inferiority (acquired or innate) may mask an actual superiority. In most Indian groups the academic lag of children is pronounced, but if these children are given non-language tests that have been standardized on whites, they excel, even to a sensational extent. And their elder brothers excel when they are thrown into critical action, as they have been in the war. In rhythm, so little regarded in our white society, the Indians excel. In public spirit they excel, and in joy of life, and in intensity realized within tranquillity. They excel in art propensities, and in truthfulness. But these superiorities will be masked by an apparent inferiority until their group as a group moves into status and power. Then the mask will fall away. The application of this fact to underprivileged ethnic groups in general is readily apparent.

And last. The Indians and their societies disclose that social heritage is far, far more perduring than is commonly believed. On how small a life-base, on a diminished and starved life-base

for how many generations, the motivations and expectations of a society, and its world view and value system and loyalties, can keep themselves alive; how these social possessions, which are of the soul, can endure, like the roots and seeds on the Mojave desert, through long ages, without one social rain; and how they rush, like these roots and seeds, into surprising and wonderful blossom when the social rain does come at last—perhaps no other ethnic groups have revealed this old, all-important truth so convincingly as the Indians have done. Indeed, this capacity for perdurance is one of the truths on which the hope of our world rests—our world, grown so pallid in the last century, and in many regions of life so deathly pallid, through the totalitarian horror. The sunken stream can flow again, the ravaged desert can bloom, the great past is not killed. The Indian experience tells us this.

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RUSSIA AND CENTRAL EUROPE¹

BY HANS ROTHFELS

I

AT A time when Soviet Russia has won complete mastery of the Baltic, of the Danube basin and of the Balkans, with the one possible exception of Greece; when she has served notice on Turkey with the clear intention of altering the status at the Straits of Constantinople, a status which for centuries has barred Russia's entry into the eastern Mediterranean; when Russian soldiers are encamped in the wasteland that was once the heart of Berlin; and when the whole of Central Europe, including its western and southern fringes, is in social turmoil or in a process of fundamental transformation—at such a time there is no need to underscore the present scope of Russia's relations with that part of Europe. Rather may it be questioned whether the historian can offer any comment at all in matters of revolutionary dimensions. After what has happened in the last thirty years he may be sufficiently warned against indulging in prophecies derived from the past. But while he must certainly be wary of hasty conclusions, he must perhaps be just as wary of the all too comfortable flight into historical nihilism.

Thus from a certain angle it may be quite revealing that, after all, the Russians have been in Berlin before, 185 years ago, and that East Prussia has repeatedly been on the Russian agenda of conquest. And also it may be not without present interest to recall the agreements which in the years 1914–17 were reached or were discussed between czarist Russia and her Western allies

¹ An article by Oscar Jászi on "Central Europe and Russia," in *Journal of Central European Affairs*, vol. 5, no. 1 (April 1945), was not known to the present writer before the following essay was ready for printing. Though its topic is identical with that of Professor Jászi, and though the present writer largely agrees with his conclusions, the treatment is so different as to exclude any reiteration or direct reference.

(exclusive of Italy).² Not only did they accord to the Russian empire Constantinople and the Straits with the adjacent area, both on the European and on the Asiatic side, and all Ukrainian and Polish territories, the latter supposed to come close to the Oder River. In addition, the agreements or plans provided for the annexation of East Prussia, for a Czech kingdom under a Russian protectorate, possibly a Russian dynasty, and for a corridor connecting the Czechs with the Serbians and separating a diminutive Austria from a diminutive Hungary. According to this scheme the whole of Central Europe east of the Stettin-Trieste line would have been either completely under Russian control or within the sphere of Russian influence.

Many people would flatly deny that we are in any way concerned with this aspect of the past. They would deny it not only because the scheme of 1917 has joined the shadows of many others, such as "Peter the Great's Testament," and because the generous Russian share in the spoils would certainly have been opposed after victory by the Great Britain of Lord Curzon's days; they would deny it not only because historical memory is notoriously, perhaps enviably, "selective." They would also deny it for more fundamental reasons—that is, because of the different structure of the present Grand Alliance, planned as it is to be the nucleus of a permanent world order, and because of the basic changes which have submitted the relationship between Russia and Central Europe to a social reinterpretation. The scheme of 1917, they would hold, is only one more evidence of old Russia and old imperialism on the way to their graves, of an economic and social system which preferred to look for conquest abroad instead of opening the door at home, and which did so on account of its

² The first information regarding these "Secret Treaties" was revealed by the Bolsheviks in 1918, and was in line with their policy of denouncing "imperialist hypocrisy." Detailed evidence can be found in the huge series of Russian diplomatic documents published by M. N. Pokrovsky (Moscow-Leningrad 1931-34), of which 6 volumes have appeared in German translation, *Die Internationalen Beziehungen im Zeitalter des Imperialismus* (Berlin 1931-34), ed. by O. Hoetzsch; a resume is given in D. J. Dallin, *Russia and Postwar Europe* (New Haven 1943) pp. 168-72 (with map following p. 173).

very backwardness. As a Soviet writer pointed out, no more than ten years ago, it was "natural" for czarist Russia "to go into one war after another" and "to conduct a policy of ruthless imperialist expansion, conquest and robbery."³ In a certain phase of the inter-war period, when the reverse imperialism of the Third International was being gradually discarded, when the Soviet Union had joined the League and was the main advocate of a policy of collective security, it could actually be said that the men who lived and worked in the spaces where the Russian empire had ruled were charting an entirely different course.

The fact of this turn, coinciding more or less with the rise of National Socialism, is incontestable. It is equally true that the shift in emphasis from revolutionary internationalism to a policy of making the revolution primarily safe in one country, and eventually from interventionism to isolationism, has led to an amazing degree of domestic empire building.

Yet the dissociation from the past is not free of glaring inconsistencies. The shift in emphasis away from revolutionary internationalism, no matter whether it be a shift in principles or in tactics,⁴ has been accompanied by a reappraisal of the Russian past, by a revival of national traditions, even czarist traditions, starting with Ivan the Terrible and Peter the Great and proceeding down the line. "For strong Tsars . . . there is discriminating praise and no longer indiscriminate abuse."⁵ This reappraisal began long before the war against the Teutonic invaders and for the defense of Russian soil added a deeply emotional nationalist impetus. History itself has reasserted its continuity, just as it did in the French Revolution, and it has taken, as it were, its revenge. The Soviet historians, notably M. N.

³ Vladimir Romm, "Geographic Tendencies in the Soviet Union," in *The Soviet Union and World Problems*, Harris Foundation Lectures, ed. by Samuel N. Harper (Chicago 1935) pp. 47-82.

⁴ The fundamental conceptions underlying all these changes are comprehensively discussed in T. A. Taracouzio, *War and Peace in Soviet Diplomacy* (New York 1940).

⁵ W. H. Chamberlin, *The Russian Enigma* (New York 1943) p. 111.

Pokrovsky, who in the initial decade interpreted the new departure in foreign policy by putting all blame on the czarist past, were on the index by the middle of the 1930's.

It is perfectly true, of course, that there is no such thing as a "geographic law" working independently of the underlying political, social and spiritual forces. We must not think of the relationship between Russia and Central Europe in the narrow terms of geopolitics, in the terms of the "Eurasian Heartland" or the "Pivot Area," dynamically expanding and constantly pressing outward against the "Rimland" or the encircling coastal regions, the "Insular Crescents." These terms were introduced by the British geographer Sir Halford Mackinder,⁶ one year before the Russo-Japanese War and three years before the Russo-British Entente, both of which can be interpreted as part of a British answer to this alleged geographic law—just as the Crimean War and the Straits Conventions, the status quo treaties with Austria and Italy, the Cordon Sanitaire and eventually Munich can be regarded as another part of a traditional British answer. It is generally known that the same terms have been seized upon and reversed by the Haushofer school:⁷ who rules the "heartland" rules the world.

But whatever can be said against wilful geopolitical constructions which are absurdly oblivious of so-called imponderables, it is nonetheless true that in the relationship between Russia and Central Europe there is at least as much a "Drive to the West" (*Drang nach dem Westen*) as there has ever been the much cited *Drang nach dem Osten*. And this inherent political tendency has associated itself with very different social systems and social philosophies. In fact, this seems an essential and perhaps the most

⁶ His paper of 1904 was extended in 1919 into a book, *Democratic Ideals and Reality*, of which a new edition has recently been published (New York 1942). Mackinder's work has largely influenced N. J. Spykman's *Geography of the Peace* (New York 1944). It would appear that the former neglect of political geography in Anglo-Saxon thought has been more than compensated for—a very symptomatic result of a lost "insular" position.

⁷ A brief evaluation of this school is given by D. Whittlesey in *Makers of Modern Strategy*, ed. by E. M. Earle (Princeton 1943) pp. 388-414.

promising approach as far as historical reflections are concerned: the relationship between Russia and Central Europe, in all its great and fateful moments, has never been one of merely territorial expansion or territorial security; it has always implied conflicting forms of political and social organization and conflicting ideologies. From this angle it makes good historical sense that a hundred years ago the shadow of Czar Nicholas I loomed almost as large over Central Europe as does the shadow of Marshal Stalin today.

We are led to a similar perspective if, for a moment, we change the point of view and try to substantiate what we mean by the term "Central Europe."⁸ By definition it implies a territorial center related to the West as well as to the East. All three parts together form, as it were, a great historical triptych. In fact, Central Europe of the Middle Ages, with its basis south of the Alps, extending between the rivers Rhone, Maas and Elbe, harboring the two universal authorities of the Latin world, was as pivotal as the central part of a mediaeval altarpiece. Theoretically it was still the superior of the slowly centralizing national states and the rising national cultures of the West, and at the same time it was the carrier of Latin Christianity and the corporate structure of mediaeval life to the East—beyond the Elbe, Oder and Vistula, into Galicia, Hungary and Transylvania. From the thirteenth to the fifteenth century the eastern frontiers of Central Europe were actually those of the Romano-German and Germano-West-Slavic orbit as against the Greco-Byzantine and Russo-Tartarian orbit.

But ever since that time Central Europe has been lacking in definiteness, has become something vaguely in-between, characterized rather by the fact that it is different from, or open to, both the West and the East than by any clear-cut entity of its own. It is not necessary to follow this development through the

⁸ See the paper by the present writer, "Das Werden des Mitteleuropagedankens," written one month before Hitler came to power and published in Hans Rothfels, *Ostraum, Preussentum und Reichsgedanke* (Leipzig 1935) pp. 228-48.

centuries, or to stress the merely territorial aspect: insecure and shifting frontiers, petty divisions, rivaling powers like Sweden and Poland or Austria and Prussia, and the acquisitive or protective role which these major states of Central Europe carried out more or less successfully in both West and East. Let us rather remind ourselves of the religious aspect, which, again, shows Central Europe to be lacking in definiteness and yet to be distinctly different from the practically uniform Catholic area in West and Southwest as well as from the practically uniform Greek Orthodox area in East and Southeast. After the Hussites and the Lutheran revolt Central Europe was certainly the most active religious focus in Europe, but it was submitting to a fate rather than shaping it. As a result, it split into interlocked regions of the four main Christian confessions, and did not succeed in carrying the new impulses to either the East or the West. Just as the Polish attempt to recatholicize Russia failed, so was the support in vain which the French Calvinists received from Western Germans and from the Dutch.

In the subsequent two centuries political and social institutions, such as bureaucracy, militarism and mercantilism, came from the West and were passed on through Central Europe to the East. This Eastward movement—which with a good deal of simplification and complacency is often regarded as a natural “downward” trend (*Kulturgefälle*)—continued and was intensified in the liberal era. But it began to be counteracted by a movement from the East. Not only did czarist Russia largely contribute to the liberation of Central Europe from Napoleon’s rule, but she subsequently made a great effort to strengthen all anti-Western political and social forces to the West of her frontiers. And eventually, with the rising influence of Pan-Slavists and Slavophiles, the claim gained deeper ground that Russia had a mission of her own in the West, either that of liberating all Slavs and incorporating them into one brotherly union of Slavic peoples, or, more basically, that of saving the “rotten West” from atomization and irreligiosity, from the unholy trinity of liberalism, capitalism,

nationalism. The *ex oriente lux*, the light from the East, promising the redemption of mankind, is indeed far from a novelty. And whatever the degree to which political expansionism, the social interest of ruling classes and mere ideology were mixed in this alloy, Central Europe was exposed to it in all its aspects, for the pivotal region between the frontiers of Russia and of France was still, in a way, undefined: it was liberal as well as feudal, centralistic as well as federalistic; it was industrial and dominated by the relationship of capital and labor as well as agricultural and dominated by the relationship of landlord and peasant; it was uninational and multinational without falling clearly into two parts. In fact, East and West crisscrossed throughout Central Europe.

The problem then was whether out of this double impact Central Europe would eventually emerge with a genuine structure of its own. A certain attempt to bring this about was made first by Metternich and then by Bismarck, an attempt not only in terms of power and diplomacy but also in terms of social policies and a federalistic concept of the state. In the last two decades before World War I these impulses became lost in the wave of nationalism and imperialism which swept all over the world, and the basic problems of the multinational state and of social integration were only tentatively approached.⁹ But the attempts to stabilize Central Europe were resumed in the postwar period. On the diplomatic level they eventuated, for example, in the Rapallo treaty of 1922 and the Soviet-German neutrality pact of 1926, which in a dubious way counterbalanced the predominance of France and the French alliance system in the eastern part of Central Europe. In addition there were genuine movements from within, such as the growth of socialist and neo-conservative conceptions in Germany, or the "Green International" in the eastern fringes. And there were new federative

⁹ The approach was not unimportant, however, and there is, for example, a direct line between the ideas of Austrian Socialists like Renner and the Estonian "Cultural Autonomy Law" of 1925.

beginnings, like Baltic pacts and Balkan pacts and the "International of National Minorities" in Central Europe.¹⁰ All this might have led to a constructive transformation of the nineteenth century ideal of the liberal and uniform nation state, to a kind of "Central European Federation," likely to be headed by Germany but very different from the democratic and capitalistic imperialism of Naumann's *Mitteleuropa*.

It is hardly necessary to say that these beginnings were distorted and destroyed by Hitler, down to their very roots, and that this occurred long before he took a single step beyond the German frontiers of 1919 or the treaty obligations of Versailles and Locarno. The persecution of racial minorities and the totalitarian uniformity within the Reich were in themselves quite sufficient to defeat Central Europe, which historically and essentially is not "one and indivisible" but multiple—socially, religiously and nationally. Thus National Socialism paved the way for the destruction of any genuine entity between the capitalist West and Soviet Russia. Now, with the crushing of Germany, the wheel has gone full circle, and Central Europe is as fully eliminated as it was when Napoleon and Alexander I met at Erfurt in 1808. Again East and West face each other in the center of Central Europe, with nothing between them.

II

Thus the situation of 1808 gives an appropriate starting point for discussion of a few historic junctures which are meaningful in the light of present perspectives. When Napoleon was at his height Russia saw herself reduced to the role of a "junior partner"

¹⁰ This organization (founded in 1926 and convening annually) included the German minority groups in Central Europe and about twenty non-German groups, on the basis of mutuality. See the list of members in C. A. Macartney, *National States and National Minorities*, published under the auspices of the Royal Institute of International Affairs (London 1934) p. 394, note 1. For the aims involved ("dis-establishment of nationality") see *ibid.*, p. 469, and the present writer's essay, "The Baltic Provinces, Some Historic Aspects and Perspectives," in *Journal of Central European Affairs*, vol. 4, no. 2 (July 1944) pp. 137-40. It is no incidental fact that the movement was led by the Baltic Germans, an old vanguard in the East.

in the French empire. She was thrown back by the establishment of a Polish state, a French dependency which with some intentional moderation on Napoleon's part was called the "Duchy of Warsaw." It is true that as an ally of France, Russia conquered Finland from Sweden and Bessarabia from Turkey, and that she followed up her aspirations in the Balkans and the Adriatic; she had been lured into the French alliance also by the prospect of a combined attack on Britain's position in the Middle East. But Alexander soon realized that he was a mere tool in an anti-British continental combination which contradicted Russian economic interests. Central Europe was in an even worse position: Prussia and Austria were forced into "collaboration," to borrow a term from our days. Central Europe was practically part of France, or dependent on France, and was ruled, as it were, by "Vichyites." To remain within the same terminology we may say that some "Free Germans" fled to Russia when the break between West and East became imminent.

A liberation of the subjugated peoples of Central Europe was possible only if new social forces and the ideas of a universal struggle for freedom were mobilized, in addition to the "nativistic" movements of resistance in Spain, Britain and Russia. The principles of liberty and nationality were now in the anti-French camp, with its focus in Central Europe, and the French empire had become a reactionary power. Napoleon in his Russian campaign could not dare even to think of conjuring up a peasant revolution, which was conceivably the only means of assuring his victory.¹¹ Alexander, however, prompted by such a man as vom Stein, the Prussian ex-minister and German patriot, decided to conduct the war as a universal rather than as a Russian conflict, as a liberal crusade, an all-European struggle for national independence, including that of the Slavs from Prussian, Austrian and Turkish rule. He did not stop after he had freed Russian soil from the invaders—as conservative forces in Russian society

¹¹ See the suggestive comment of G. Vernadsky, *A History of Russia* (New Haven 1929) p. 133.

urged him to do—and the Cossacks entered Berlin as “liberators.” About a hundred years after the first Russian army had appeared in Central Europe, during the great Northern War, Russian troops for the first time crossed the Rhine.

This unprecedented position was not to last, however, and victors and vanquished alike joined hands to throw Russia back to the East. This is an experience the memory of which, it would appear, still plays a part in certain Soviet suspicions of today, and one that falls in with the more recent experiences of 1919–21 and 1938–39. At the Congress of Vienna, Talleyrand declared that to let Russia extend her frontiers to the Oder River in Germany “would create for Europe a danger so grave that if execution of such a plan can be stopped only by force there should not be hesitation for a single moment to use force.”¹²

As a matter of fact, the Congress almost resulted in a war of Great Britain, France and Austria against Russia and Prussia. The main apple of discord was Poland, the possession of which would actually have brought Russia near the Oder River and have driven a wedge into Germany. Alexander wanted to incorporate the whole of Poland, though in the form of a constitutional kingdom and with some initial concessions to national freedom. In this aim he did not succeed, and under the final pressure of the other “Big Three” he had to agree to a compromise, the so-called fourth partition of Poland. Great Britain, in particular, intended to strengthen the “backbone” of the continent against the East as well as against the West. That is why Prussia was returned the Polish “wedge” and was given the left bank of the Rhine. Also, Alexander’s vague ideas of a Holy Alliance, a pan-European and Christian federation, with the czar as patron saint, were turned by Metternich into a Central European scheme of stabilizing the political and social status quo, with the multinational Austrian state as its nucleus.

For a while the Russian czar, pondering constitutional and

¹² *Mémoires du Prince de Talleyrand*, ed. by A. de Broglie, 5 vols. (Paris 1891–92), tr. by R. Ledos de Beaufort (New York 1891–92), vol. 2, p. 263.

economic experiments, had definitely more liberal leanings than had most of his monarchical colleagues in Central Europe. But just as Russia was pushed back to the East territorially, so the advance in Western institutions and ideas soon stopped. From the viewpoint of government and ruling classes this arrest in assimilation and Westernization seemed all the more imperative as the contact with the West in 1813-14 had spread the germs of revolutionary infection. In words which may become meaningful again, *mutatis mutandis*, a Russian wrote after the war of liberation: "During the campaigns through Germany and France our young men became acquainted with European civilization, which produced upon them the strongest impression."¹³ For the first time they had gone beyond an orbit which for all practical purposes had been shut off from the rest of the world. When the results of these contacts were exposed in the Decembrist rising of 1825, the full reaction set in.

Its representative was Nicholas I. Under him the relationship of Central Europe to Russia was almost one of tutelage, exercised by the leader of one of the world parties in the struggle between liberalism and reaction or between revolution and legitimacy, the main battle of which was to be fought in the center of the continent. In this phase again the Russian policy is far from being of a mere antiquarian interest. With a broad generalization it may be described as a policy of a "Cordon Sanitaire in reverse." Nowhere in the outlying regions to the West should a system rise that would be hostile to Russian institutions and ideas, nor should any cancer be permitted to spread which might undermine the blend of autocracy and orthodoxy or infect the Slavic brethren both inside and outside Russia with wrong ideas of national independence.

Thus Nicholas stamped out the Polish rising of 1830, and proved the arch foe of the July revolutions in France and Belgium. He came out strongly against the constitutional movement, both in Austria and in Prussia; in the thirties and early forties the

¹³ See A. G. Mazour, *The First Russian Revolution, 1825* (Berkeley 1935) p. 55.

Russian ambassador at Berlin held a position similar to that of the Spanish ambassador at Paris during another great world conflict of ideas, that of the religious wars in the late sixteenth century. It was not without good reason that Marx and Engels spoke contemptuously of their homeland "Borussia" (Prussia) as "Prorussia" (Hither-Russia). And in the "mad" years of 1848-49 the czar could claim to be the savior and restorer of the status quo in Central Europe. He supported the Austrian government financially in its struggle with the Italian nationalists; he sent an army into Hungary to help crush the rebels; he violently opposed the German attempts to reach national unity in liberal forms, and also the more limited national ambitions of the Prussian king; eventually the diplomatic aid he gave to Austria forced Prussia into the capitulation of Olmuetz in 1850.

Thus for the second time Russia held a predominant position in Central Europe, though one based on a crusading spirit very different from that of Alexander I. And while Central European liberals saw Russia as ruled by a man with a big stick, by a crowned "master-sergeant," in Russia herself the advance of the Slavophiles gave to this rule a certain idealizing interpretation. To the Slavophiles, Russia's original civilization was different not only in degree but also in kind from that of the Romano-Germanic world. It was the good fortune of the East that it had experienced neither Renaissance nor Humanism, and had not been separated by pagan liberalism from the Christian faith. Instead of imitating and catching up with the West, Russia was to speak a new word, her own word, in human history, a word based on religious as well as on social traditions. Thus the autocratic czar, head of the church, was viewed in terms of a patriarchal monarchy rooted in broad popular consent, a consent far more genuine than that given by a middle-class secular parliament; and the peasant commune appeared as a means toward a fraternal society far superior to whatever the decaying West could expect as a result of industrialism and capitalism.

In all this ideological exuberance it is not difficult to see prac-

tical interests at work, political and social, but also a nucleus of thought which could be reversed and transferred into a very different "missionary" set-up. Again we have been told, and much more realistically, that dictatorial rule and enforced collectivization are about to achieve the pattern for true democracy, ahead of all other political and economic systems.

In 1848-49 Central Europe was certainly not won over by the ideological attack. Nor was it due only to Russian interference and to the alliance of Russia with autocratic and feudal trends in Austria and Prussia that the liberal and national revolutions failed in the center of the continent. It was due also to inherent difficulties, in the course of which it became strikingly apparent that the social and political ideas of the West could not be transferred to Central Europe without dissolving it into national atoms infinitely struggling with one another. This meant again, though in a different way, an opening for Russia.

Among the critics who opposed the direct Russian domination, as well as the indirect one consequent upon "Balkanization" of Central Europe, a new voice was heard in those years, that of Marx and Engels. It may not be without interest to look upon our problem for a moment through their eyes.¹⁴ They thought, of course, in terms of international revolution, of which czarist Russia was the archfoe. But while doing so they were as much Central Europeans as Herzen and Bakunin were Russians. They wanted, naturally, a liberation of the West Slavic peoples, but not one that would make them Russian instruments and would destroy the geographic, historical and economic unity and the defensibility of Central Europe. They foresaw the potential transformation of Slavophilism into Pan-Slavism, or rather Pan-Russism, which had already been evident in the Greek War of

¹⁴ See S. F. Bloom, *The World of Nations, A Study of the National Implications in the Work of Karl Marx* (New York 1941), who follows, however, a different line of approach. For an analysis of Marx's and Engels' views on Central European problems see also an essay by the present writer, "Marxismus und Auswärtige Politik," in *Meinecke Festschrift: Deutscher Staat und Deutsche Parteien* (Munich 1922) pp. 308-41.

Liberation, when Russian armies for the first time crossed the Balkan mountains and the czarist empire strengthened its position at the mouth of the Danube. This potential transformation also became alarmingly clear at the first Pan-Slavic Congress at Prague in 1848.

In taking issue with these trends the paper which Marx edited during the revolutionary year spoke of the Eastern frontiers of Germany in words which could well be mistaken for those of an ardent nationalist.¹⁵ Engels in a later essay, while reviewing the constant and continuous qualities of Russian foreign policy, came to the characteristic conclusion that the czarist diplomacy alone was able to follow reactionary and revolutionary lines at the same time. And when the reform era under Alexander II began, Marx, after some initial optimism, gave the verdict: "The emancipation of the serfs, in the way the Russian government conceives of it, will enhance the offensive forces of Russia a hundredfold."¹⁶ Years before he had written that unless the Slavic nationalities became truly independent, and the Western powers erected a firm barrier, Russia's natural frontiers would run "from Danzig or about Stettin to Trieste."¹⁷

The Western powers did stop Russia in the Crimean War, but not in Central Europe proper. The clash in the Near East had indirect effects, however, upon the European continent: it resulted in a breach between Russia and Austria and in a rapprochement between Russia and France. This double break-up of the Eastern monarchical combination was one of the preconditions for the initial successes of Bismarck. It helped to isolate

¹⁵ ". . . zerfetzt wie ein von Ratten abgenagtes Brot": *Gesammelte Schriften* (Stuttgart 1902) vol. 3, p. 254. Marx and, even more, Engels, the military theorist of the "First International," thought very much in terms of defensibility and military security. This viewpoint is implied in their controversy with the reactionary Pan-Slavists and their liberal sympathizers, who would not care if "Bohemia, right in the heart of Germany, should become a Russian province." See the essay by S. Neumann, "Engels and Marx, Military Concepts of the Social Revolutionaries," in *Makers of Modern Strategy* (cited above) pp. 154-71.

¹⁶ *Herr Vogt* (London 1860) p. 75.

¹⁷ *Gesammelte Schriften*, vol. 1, p. 158.

first the issue between Austria and Prussia, then the issue between Germany and France. And it made a social-political structure possible in Central Europe that was liberal in some respects and conservative in others. In the light of our problem it seems to be a basic fact that Bismarck's Central Europe represented in various ways an intermediate type between East and West.¹⁸

The new Reich combined liberal institutions with state socialism while being hostile to democracy and democratic socialism. The policy of social intervention and social security applied patriarchal and Christian ideas to industrial society. And it was coupled with a foreign policy of prevention and security against West and East. Bismarck set up a barrier against Russia in terms of power and alliances, and yet tried hard to keep intact the old monarchical solidarity with, and the diplomatic relationship to, the czarist empire. He strictly avoided serving Austrian or British oriental interests. In his view there existed no vital conflict between Germany and her Eastern neighbor, unless either a wrong course was charted for prestige, or uncontrolled popular emotions and the naturalist forces of race led to a clash.

Bismarck was as far from being a "racialist" as anyone could be. He spoke of the intermingling of nations, of the racial multiplicity in Central Europe, as an asset, even as "riches willed by God." He wanted to check national as well as social atomism. While Russia and Prussia were tied together by their complicity in the Polish question (particularly after the rising of 1863), the Reich was neither a unitary nor a nation state in the Western sense. It achieved national unity in limited, not in Pan-German forms. And in its federal structure Bismarck saw a pattern for the way in which Austria could reconcile the political and material interests of her many nationalities. He opposed revolutionary nationalism of a Pan-German type as much as that of a Pan-Slavic or any other type.

¹⁸ For the following the present writer refers to the more detailed analysis in his *Bismarcks Englische Bündnispolitik* (Munich 1923); *Bismarck, Deutscher Staat* (Munich 1925); *Prinzipienfragen der Bismarckschen Sozialpolitik* (Königsberg 1929); and *Bismarck und der Osten* (Leipzig 1934).

In the light of historical hindsight one may say that he fought a losing battle. But this was certainly not due to any German drive to the East in his time. It was rather that the foundation of a strong German national state, though limited in scope, had broad and inevitable reactions, political, social and spiritual. Among other effects it brought to a climax the Russian policy of "one czar, one language, one faith, one law."¹⁹ In 1871, the very year of the foundation of the German Reich, Danilewski published his book on "Russia and Europe," in which he claimed for the Slavs the mission of a superior species and for the Russians, the leading subspecies, "the natural obligation to act as the Prussians had acted for the Germans and the Northerners in America had for the United States, that is, to federate all the Slavs in an imperial state with its capital at Constantinople."²⁰ Thus again a drive from the East was proclaimed, very much of a missionary character. In 1876-77 it was a national and religious crusade that dragged the unwilling Alexander II into war with Turkey. Among the champions of this crusade for the Southern Slavs was no less a figure than Dostoevsky. The Russians were stopped short of Constantinople, again primarily by Great Britain. But the main weight of this setback fell upon their relations with Central Europe. And the trend which would bring together the two flanking powers, France and Russia, became ever more conspicuous.

It is not necessary to follow this up. It would appear that the events after 1890 are less revealing in the light of present perspectives than those of the earlier decades of the nineteenth century, because they have less of a fundamental character. On the one hand, the alliance between republican France and czarist Russia does not lend itself very easily to an ideological interpretation, though certain attempts of this kind have been made;

¹⁹ This reaction was particularly striking in the Baltic provinces of Russia, which had hitherto enjoyed considerable autonomy; see Rothfels in *Journal of Central European Affairs* (cited above) pp. 127-30.

²⁰ Quoted from Carlton J. H. Hayes, *A Generation of Materialism* (New York 1941) p. 13.

it was primarily a "cry of geography," and secondarily a matter of expediency, cemented by financial relations, but it was no more a popular alliance than the Russo-German alliance had been. On the other hand, Russia was rapidly industrializing and Germany was departing from Bismarck's cautious ways, economically as well as politically; thus the conflicts between them in the Near and the Far East moved on an identical level of economic imperialism, with no differences in kind. Moreover, the tension along the Russo-German frontier was to some extent an indirect one.

Russia's main imperialist front continued to threaten Great Britain. Only when Russia was thrown back in the Far East by Britain's ally Japan, and subsequently agreed to the compromise of the Anglo-Russian entente, which barred another outlet, that to the Persian Gulf—only then did she turn again to the West and take issue with Austria's Balkan policy. Thus the unsolved nationality problems in Central Europe became once more the focal point, and the omissions of the past stood out as a fateful weakness of the Central European structure. Still, if one reads the Russian diplomatic documents of the first three months of 1914,²¹ one would expect the explosion to occur in Persia rather than in the Balkans. Also, the British documents of July 1914 show the Foreign Office aware that Russia looked upon the British attitude as a test case, and that she might turn again to the Middle East. If Britain failed her, what would be the situation of a "friendless" England, and what would be the consequences "in India and the Mediterranean"?²²

Suspensions of a Russo-German rapprochement continued during World War I, and had some substance, at least up to the moment when the Central Powers established a Polish state under their tutelage. Subsequently the defeat of the czarist empire and the

²¹ *Die internationalen Beziehungen im Zeitalter des Imperialismus* (cited above) series I, vol. 1, *passim*.

²² *British Documents on the Origins of the War, 1898-1914*, ed. by G. P. Gooch and Harold Temperley, vol. 11 (London 1926) Document No. 101, with notes, Nos. 125, 239.

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breaking away from the Allied front by the Bolsheviks deprived Russia of all promised gains and threw her back behind a line where the drive to the West had started, more than two hundred years before. Her large contribution to Germany's defeat faded out of the picture, as had, to some extent, her contribution to victory in 1812-14. The peace settlement of 1919-21 may be called pro-Slavic but it was certainly anti-Russian.

There was a widespread Sovietphobia in the West in the years after Versailles, animated by moral indignation and social fear but also by the possibility of Germany turning revolutionary and the two "outcast" nations joining hands. After the attempts to conquer Bolshevism had failed, the famous Cordon Sanitaire was resorted to. This stood the test mainly because revolutionary interventionism and internationalism did not succeed in Central Europe, which, for all its weakness, still proved a decisive battlefield in the struggle of principles, and eventually, as I have pointed out, started on the way to a form of its own. When the hopes for world revolution faded, Stalin drew the consequence with great clarity, and this led to many implications in the internal structure of the Soviet Union as well. The program then was to make the revolution "safe at home." But for quite a while Communist messianism still played a part in the Middle and Far East, and very much to British dismay. Whether the international revolutionary propaganda was ever abandoned in principle, is a matter of debate. As late as February 1938, Stalin, while criticizing Trotskyism, stated that "since we live not on an island but in a system of states, a considerable number of which is hostile to the land of socialism, thus creating the danger of intervention and restoration, we say openly and honestly that the victory of socialism in our country is not yet complete."²³

III

There is no doubt that the Western world and the Soviet Union are very seriously trying to discard once and for all these tradi-

²³ Dallin, *op. cit.*, p. 134.

tions of mutual hostility and suspicion, the older ones as well as the memories of Munich and the Ribbentrop-Molotov pact, the fifth partition of Poland and the Finnish war²⁴—traditions and memories whose continuation or revival would give Germany a new chance or lead to a World War III of truly revolutionary dimensions. These attempts are made easier by the successful cooperation which led to victory, and by a number of other factors. In the eyes of the West the "thermidorian" development of Soviet Russia has resulted in a less objectionable social system. All experts seem to agree that Russia wants peace and will need the capitalist West for an indefinite time in her gigantic task of reconstruction. In addition, the very immensity of any potential clash, with nothing in between to soften it, may work as a conciliatory and pacifying factor of the first magnitude. After the Crimean conference the Soviets discarded the second iron, the "Free German Committee." Their official program is cooperation with the West, and it is very unlikely that they will suddenly revert to either "revolutionary interventionism" or "revolutionary isolationism."

Yet to ignore basic potentialities, "lest by discussing them one impairs the unity of common effort,"²⁵ would be utterly unrealistic. It is not the intention of the few remarks with which these historical considerations may be summed up to support a "demonic" interpretation of the Grand Alliance or of Dumbarton Oaks and San Francisco. But an "angelic" interpretation would be as wrong, and no useful purpose can be served (to say

²⁴ The distance that the West has traveled since 1939 cannot be better illustrated than by the words of Churchill at the time of the invasion of Finland: "Everyone can see how Communism rots the soul of a nation; how it makes it abject and hungry in peace and proves it base and abominable in war" (Chamberlin, *op. cit.*, p. 1).

²⁵ M. Karpovich, "Russia in the New World," in R. N. Anshen, *Beyond Victory* (New York 1943) pp. 114-19. It is not the purpose of the present writer to take issue with the innumerable articles and numerous books that try to figure out the future with more or less optimism; the psychological and so-called "realistic" reasons for this attitude can readily be understood. Among the more substantial analyses it would appear, however, that Dallin's "guesses" have so far come closest to reality. The terms "demonic" and "angelic" are taken from Chamberlin.

nothing of political morals) by veiling the challenge that exists in Central Europe, or by recommending a new and illusional policy of "appeasement." Besides all controversial matters some indisputable facts stand out, facts that are characteristic of the new situation, in which the center of the continent is definitely "hollow," and are at the same time by no means divorced from the past.

The first fact is that the Soviet Union has advanced into Central Europe along the same routes that czarist Russia always followed, but to an unprecedented extent and with a new sense of definiteness. Whether or not one calls this expansion "imperialism" is a matter of terminology. It may well be defined as the establishment of a "security zone" or again in terms of a "Cordon Sanitaire in reverse," defensive against aggression and any recurrence of fascism in the outlying regions, but also exclusive of any other "ism" which is regarded as hostile to the Soviet system, such as Catholic conservatism or liberal capitalism. Unlike what happened in earlier developments, Russia will not be thrown back to the East or deprived of her share in victory. More than in any of the crusades of the nineteenth century the Russians know that "they did it" in the crusade against fascism, and that they fought the war in its full ideological as well as its national implications. Moreover, they are backed up by numbers and resources which defy any comparison with the past and will defy comparison infinitely more in the future.

Secondly, in a broader sense Central Europe has become predominantly Slavic. This corresponds to a shift from West to East which has been going on since the seventeenth and eighteenth centuries, and to numerical realities. But it has also a racial and ideological aspect, and it is linked with new conceptions of society and nationality. Lenin certainly did not think in terms of race and blood, nor did Stalin in his early essay,²⁶ "The

²⁶ See Erich Hula's recent discussion of "The Nationalities Policy of the Soviet Union" and of Stalin's stand regarding this question, in *Social Research*, vol. 11 (May 1944) pp. 168-201.

National Question and Social Democracy." But the war has inevitably revived Pan-Slavism, and in 1942 a periodical of the Moscow Pan-Slav Committee wrote of the blood kinship of the numerous Slav peoples as "revealed in everything, in language, culture, morals, habits and faith."²⁷ This is precisely the old claim, now extending to East and West Slavs, to Orthodox, Catholic and Protestant peoples alike. It has become immensely more real because the West Slavs have been cut off from the thousand-year-old neighborhood relationship with Germans, first through the unforgettable and unpardonable methods of the "master race," opening a gulf which had never existed to a comparable extent in any previous struggles, then through Soviet-sponsored annexation of German territory (a true "Greek" gift) and the mass deportations and transplantations which are going on beneath the blanket covering the eastern part of Central Europe. As a result the Slavic peoples, including such a "Western" nation as the Czechs as well as the Hungarian and Austrian enclaves, have become all the more dependent on their powerful eastern neighbor.

At the same time the Soviet Union not only can support the old claim with infinitely more power than czarist Russia ever had, but also can more genuinely appeal to the idea of a brotherly union and the idea of a fraternal society based on the Slavic peasant commune. Organized into autonomous republics the Soviet Union presents the world with an example of a "union of equal nations" instead of the "prison of nations" that old Russia was. While refusing the idea of an independent "federation" in Eastern Europe ("from the Baltic to the Black Sea") she holds out her own program of federal structure, and she also holds out a solution of the agrarian problem, so critical in the whole eastern zone of Central Europe.

This does not necessarily mean that in all Slavic countries Soviet Russia is going to start "voluntary" movements for admission to the Union, or that she is going to sovietize them outright.

²⁷ Quoted from Chamberlin, *op cit.*, p. 114.

Plebiscites in totalitarian style were taken in the Baltic countries, eastern Poland and Bessarabia in 1939,²⁸ and Ruthenia, the easternmost part of Czechoslovakia, has recently "joined" the Ukrainian Republic: an outcome perhaps less objectionable in method than Hitler's annexation of the Sudetenland, but not dissimilar in its strategic implications. This "Anschluss," however, is not likely to happen everywhere, or even to be desired. Soviet policies have become much more flexible than in the early years of the revolution, and are aware of the advantages of quasi-democratic processes. Though the promises not to interfere with domestic affairs have already been pretty much punctured in some places, it is quite likely that in many cases the Soviet Union will be satisfied with sympathizing coalition governments interspersed with Communists.

It is also to be noted that in the new republics, admitted in 1939, Russia has not enforced collective farming as an exclusive system, as least not so far.²⁹ But with the support of native agrarian democrats, that is, the agrarian proletariat, she has liquidated the class of large landholders and reduced the kulaks. This policy can be expected to spread and may meet with broad approval, as is only natural under the social conditions prevailing in most of the agrarian zones of eastern Central Europe. Whether or not the second step, toward an enforced system of collective farming, will follow is a matter of speculation. At any rate, while Soviet Russia in principle does not eliminate racial minorities, and in this tolerance again appeals to Central European conditions, she certainly tends to eliminate "social minorities," so-called "enemies of the people," who may also be of a different nation-

²⁸ Critical descriptions of the "plebiscites" are found in A. Bilmanis, *Baltic Essays* (Washington 1945) and in Ann Su Cardwell (Margaret L. Super), *Poland and Russia* (New York 1944). They are convincing to anyone who knows the techniques of totalitarian elections.

²⁹ In regard to the Baltic countries the official Soviet comment pointed out that their incorporation involved a "gradual transition from socialism to communism," and that there "the state of workers and peasants has not the same meaning as in the rest of the U.S.S.R., where the exploiting classes are already liquidated"; see *American Quarterly on the Soviet Union*, vol. 4 (1940) p. 20.

ality. The idea of a multinational union is linked with that of a socialist society.³⁰

To this a third fundamental fact may be added: in the whole of Central Europe and beyond it to the West and South, society has been leveled, just as so many cities have been leveled. In particular, the middle class, always weak in the eastern parts of Central Europe but stronger in the West, has been largely liquidated, whether through the Nazi financial policies and German concentration camps or through Russian liquidation of the intelligentsia and the capitalistic classes, through war losses or through bombing, which may prove one of the most revolutionizing and socializing factors in history. Whatever the final balance, it seems obvious that Central Europe has lost much of its social as well as of its national identity.

Faced with this situation, the West may be very helpful in bringing in a modicum of material aid or sanitation, but it has so far found it very difficult to come to terms with popular movements of various kinds which have in common an intention to "resist" any mere return to prewar society. There seems little realization of this "vacuum." The East, however, offers a program. Whether or not this program is called "communism" is again a matter of terminology. It may be more correct to describe it otherwise, but it is certainly different from all that is understood by democracy in the West, different in "morals, habits and faith." It is quite likely that Soviet Russia, for reasons of national interests, feels no missionary urge, and certainly she is far from the fiery messianism of the early Bolshevik days. She may not want to introduce her economic and social system into Germany, even less there than in West Slavic countries. The fact remains, how-

³⁰ The component parts, in Molotov's formula, are to be "national in form, socialist in content." It would be of great interest to study more closely the social implications of the various concepts of nationality in eastern Central Europe. With the eclipse of the middle class, to which the following paragraph alludes, the Western concept of nationality is likely to undergo a profound change, the Soviet thesis being that to choose a nationality is primarily a matter of "choosing a social system."

ever, that this system has stood a gigantic test and has come out with enormous prestige. It may appear to many, not only to Russians or Communists, as a decisive step of progress and a means of salvation.

In practical policies Soviet Russia has concluded alliances with France and Great Britain against any German threat, and we may hope that the powers will agree about a certain minimum of common principles in the administration of the occupied areas. Yet the Elbe River just now, and whatever line of demarcation will be established in the future, is likely to form a cultural frontier in the heart of Europe, where Western civilization meets with Eastern ways of life.³¹ This fact implies a challenge to the genuine forces of Central Europe, which long ago departed from liberal capitalism without becoming collectivist. But it is more than doubtful that they will have much say of their own. With Central Europe practically eliminated, the fundamental challenge goes out to constructive thought and action on the part of the Western world.

³¹ The demarcation, as recently established, puts in the place of the Stettin-Trieste line a Lübeck-Trieste line. With the exception of a westward bulge in Thuringia and the Anglo-American enclaves in Berlin, this line corresponds roughly to that separating Christian from heathen Europe in the ninth century A.D. [EDITORS' NOTE.—This paragraph was written before the conclusion of the Potsdam Conference.]

JAPAN'S ECONOMIC IMPERIALISM

BY FRITZ STERNBERG

IT is not the intention of this study to discuss Japan's imperialism in all its aspects. The purpose is rather to analyze its economic roots and implications, and to show the specific conditions which distinguish it so fundamentally from that of the European powers. As will be shown, there is a very close relationship between the economic development of Japan and that of her outlying possessions, much closer than the relationship between the European imperialistic powers and their empires. Therefore certain salient characteristics of Japan's own social and economic structure should be mentioned before turning to her colonial policy. In this discussion only those factors will be stressed which are directly related to Japan's imperialistic expansion.

I

It is essential to remember that Japan's state and social structure are decisively different from those of the western industrial nations. It is not easy to reach a genuine understanding of these basic differences. All the factors that will presently be discussed can be found also in Europe and America, but in Japan they have merged in a way that is peculiar to that country. As a result, each of these individual factors has a different significance from what we customarily attribute to it in considering the societies more familiar to us.

Modern Japan, like the major European industrial nations, has developed from feudalism. But whereas the process of transition lasted for centuries in the European nations, in Japan it was compressed into a few decades. Only after the Meiji restoration in 1868 did Japan begin to liquidate feudalism and to build up her modern political and social structure.

Throughout this period the role of the state has been far

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stronger than in Europe and America. It is true that during the period of mercantilism, when European feudalism had begun to wane, the state held, in the west too, a dominant position in the economy. But this era was long past by the second half of the nineteenth century. By that time the laissez faire principle was dominant in Europe and the United States, and state intervention in economic affairs was extremely limited. It was then, however, that the Japanese state itself laid the foundations of industrialization and proceeded to direct it at an increasing tempo.¹ Japan has never gone through a period of laissez faire. On the contrary, the Japanese state's direct and decisive influence on the operation of the nation's economy has never been interrupted.

The dominance of the state was facilitated by the emergence at the outset of large-scale and monopolistic enterprises. This development is so well known that it need not be elaborated; in Japan, as has often been pointed out, industrial organization had a strongly monopolistic character from the beginning,² and also, unlike the practice in the West, the state has used the large concerns to further its political-economic goals. To be sure, in Japanese manufacturing there are a great many small shops; it has been estimated that of the 4.5 million persons engaged in

¹ The contrast between the European and the Japanese development in this respect has been clearly outlined by E. H. Norman, *Japan's Emergence as a Modern State* (New York 1940) p. 110: "One might say that the mercantile system with its monopoly of trade and reliance on the absolutist state (as in 16th-17th century France and England) was the crutch with which capitalism learned to walk. Grown to full strength, European capitalism discarded the crutch, absolute state power, and finding it a hindrance, turned against it and destroyed it. In Japan the immature capitalistic class was unable to dispense with this crutch of absolutist power and relied upon it."

² "The partner of the State in the development of modern industry in Japan was the financial oligarchy, or *Zaibatsu*. . . . These giant 'family' businesses got their start in the Meiji era by acting as bankers for the Government and by taking over the operation of many industries initiated by the State. From their original favored position as the financial supporters of the new regime, these great concerns continually strengthened their position, because by their interlocking control over banking, industry, and commerce, they were able to absorb lesser industrial enterprises, particularly at times of economic crises": Kate L. Mitchell, *Japan's Industrial Strength* (New York 1942) pp. 7-10.

manufacturing (1930) about half were in establishments that employed fewer than five persons.³ But a large number of these small businesses are independent only in name, being subsidiary to large financial and industrial enterprises.⁴ This situation has prevented the formation of an independent urban middle class comparable to the bourgeoisie that has so powerfully influenced economic and political development in western nations.

Strong monopolistic concentration exists today in all highly industrialized states. In none except Japan, however, does it coexist with the maintenance in agriculture of strong carryovers from the feudal age. This survival of feudal characteristics is evident especially in the peculiar nature of Japanese land tenancy. Japan is a land of small farms, the majority of which are managed by tenants or semi-tenants. About 5.5 million families are engaged in agriculture, and in 1937 about 69 percent of these,⁵ constituting nearly a third of the country's total population,⁶ were either tenants who owned no land (27 percent) or semi-tenants (42 percent) who supplemented their own holdings by renting additional land; only 31 percent were owner-cultivators. Tenants and semi-tenants are at the bottom of the ladder; at the top are the landowners, who merely lease their land without working it themselves—a group comprising nearly a million individuals in 1934. It has been estimated that about half of all landowners own only 9 percent of the total cultivated land, and that 8 percent have title to half the land.⁷

³ G. C. Allen, *Japanese Industry* (New York 1940) p. 26.

⁴ "Technical units of small size in any industry may, of course, be quite compatible with large-scale control. . . . Many of the Japanese shop-owners are working under the orders of merchant employers or factory proprietors, who furnish them not only with orders and detailed instruction but also with financial assistance and technical advice and often with material and tools. Thus a small unit, though formally independent, may be virtually a part of a large firm from a financial and administrative standpoint": *ibid.*, p. 15.

⁵ *Japan-Manchoukuo Year Book*, 1940.

⁶ Miriam S. Farley, "Japan's Unsolved Tenancy Problem," in *Far Eastern Survey*, July 7, 1937.

⁷ Karl J. Pelzer, *Population and Land Utilization*, Institute of Pacific Relations (New York 1941; Part 1 of *Economic Survey of the Pacific Area*) p. 118.

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The rents demanded of tenants are extremely high, amounting to approximately half of the harvest, with no services rendered by the landowners in return.⁸ As a result of these exorbitant rents, and of the land tenancy system in general, with its division of the land into small plots, little use can be made of modern agricultural techniques. Consequently the living standard of the agricultural population is very low. For the population engaged in agriculture and fishing the average per capita income has been estimated at 140 international units in 1931, a drop from 154 in 1914.⁹ Thus a great many of the Japanese tenants can no longer subsist from the land alone, and they and their families have formed a steady source of cheap labor for the cities, as did their European counterparts in the early phases of western industrialization. In Japan, however, their ties with the land have not been so completely broken as in western countries, and therefore they can return to agriculture in periods of crisis.

Within this framework of Japanese society, with the dominant position of the state, the high degree of monopolistic concentration, the remainders of the feudal age in agriculture, a key position is held by the army, its leaders drawn from the ruling industrial families and from the descendants of the old feudal lords and samurai. Japan, like the major powers on the European continent, had compulsory military service even in peacetime. In Japan, however, the army has held probably a stronger position than in any other major power, including even Germany.

From the very beginning of the modern Japanese state, economic considerations, and especially plans for industrialization, played a decisive role in military policy. Her rulers feared that if Japan could not herself become a major power she would be threatened with a fate similar to that of India and China; that, in other words, she might lose her political sovereignty and be reduced to the status of a colony or a state with only nominal

⁸ Shiroshi Nasu, *Aspects of Japanese Agriculture* (Institute of Pacific Relations, 1941).

⁹ Colin Clark, *The Conditions of Economic Progress* (London 1940) p. 371; in 1934, however, it had risen to 146.

independence. "The Meiji leaders thought somehow as follows: 'What do we most need to save us from the fate of China? A modern Army and Navy. On what does the creation and maintenance of modern armed forces depend? Chiefly on heavy industries, engineering, mining, ship building, in a word *strategic industries*.' Thus, the first stage of industrialization in Japan was inextricably interwoven with military problems, and that fixed the pattern for its later evolution."¹⁰

II

With her triumvirate of industrial overlords, landlords and army, Japan sought to overcome her industrial backwardness and to create quickly for herself a place among the nations of the modern world. In this intensive industrialization she was able to skip many intermediary phases through which the older industrial nations had had to fumble their way.

In the 60's and 70's of the nineteenth century Japan was no more developed industrially than British India. By the beginning of World War I, however, she had laid the foundation for industrial development, while British India remained a colonial country, its industrial progress still determined by the needs of British imperialism. This is evident from a comparison of Japan's foreign trade with that of British India in the last year before World War I. In 1913 nearly two-thirds of Japan's imports consisted of raw materials (49 percent) and half-finished products (17 percent), while finished goods amounted to only 17 percent. This means that even then Japan's industry was already able to process the major part of the goods imported. In Indian imports, on the other hand, raw materials and unfinished goods amounted to less than 6 percent in the fiscal year 1913-14, while finished goods constituted nearly 80 percent. Moreover, since Japan, as a politically sovereign state, was the master of her own industrialization, half-finished goods, as early as 1913, amounted to 52 percent of her exports, and finished goods to 29 percent, while

¹⁰ Norman, *op. cit.*, p. 118.

raw materials provided only 8 percent. In Indian exports, on the other hand, raw materials made up nearly half of the total in the fiscal year 1913-14, while finished goods were only 23 percent.

Thus even before World War I Japan's foreign trade had begun to resemble, in its composition, that of the older industrial nations. In magnitude, however, it lagged considerably behind. Even in 1928 her share in world industrial production amounted to only 2.4 percent, as compared with 7.0 percent for France, 9.3 for Great Britain, 11.6 for Germany, and 44.8 for the United States.¹¹ Moreover, the textile industry was still predominant in Japanese production. In 1929 more than half of all workers in factories with more than 5 employees were engaged in the textile industry, and the latter produced about 40 percent of the total value of industrial production. The manufacture of machinery, so vital in a program of industrialization, lagged far behind. In 1929 it amounted to only 10 percent of the total value of industrial production, and less than 9 percent of all factories were engaged in this type of manufacture.¹²

After 1929, however, and especially after 1931, when Manchuria was invaded, the whole picture changed decidedly. The development during 1931-37—from the invasion of Manchuria to the beginning of the China incident—is shown in Table 1. No data are available on the development since 1937, but it can safely be assumed that until Japan's entry into World War II the trends shown here were continued.

In textiles the number of workers increased by nearly 200,000 during this period, and the number of factories by over 7,000, but the relative importance of the industry declined considerably. In 1937 it employed only about one-third of the workers engaged in manufacture, instead of well over half, as six years earlier. And three other industrial groups—metals, machinery and tools,

¹¹ Institut für Konjunkturforschung, "Die Industriewirtschaft: Entwicklungstendenzen der deutschen und internationalen Industrieproduktion, 1860 bis 1932," Sonderheft 31 of *Vierteljahrshefte zur Konjunkturforschung* (Berlin 1933).

¹² *Japan Year Book*, 1940-41, p. 512.

TABLE 1. DEVELOPMENT OF JAPAN'S MANUFACTURING INDUSTRIES, 1931-37,
By Industrial Divisions ^a

Industrial Division	Number of Factories		Number of Workers (in thousands)		Value of Pro- duction (mil- lions of yen)	
	1931	1937	1931	1937	1931	1937
Textiles	20,965	28,133	899	1,095	1,803	4,242
Metals	4,133	10,076	84	350	433	3,488
Machinery and tools	5,850	14,636	158	692	443	2,557
Chemicals	3,389	5,820	122	374	826	2,917
Ceramics	3,167	4,990	57	125	142	405
Wood and woodworking	5,200	9,880	57	122	143	379
Printing and binding	2,948	3,857	51	77	167	273
Foodstuffs	12,567	16,518	134	214	835	1,525
Others	6,217	12,095	98	216	381	625
TOTAL	64,436	106,005	1,660	3,265	5,174	16,412

^a From *Japan-Manchoukuo Year Book*, 1933, 1940.

and chemicals—had shown a tremendous upswing. In 1931 these three industries, taken together, had employed only 22 percent of the workers, but by 1937 their employees totaled twice as high a proportion of all industrial workers, and had far surpassed the number in the textile industry. The change was even more striking in terms of values produced. In 1931 the total value of metal, machinery and tool, and chemical production was less than the value of textile production alone, but in 1937 it was more than twice as great. Japan was clearly on the road to developing just those branches of production which are decisive for modern industrial life: the heavy industries, machinery and tools, and chemicals.

In regard to machinery and tools, so essential to industrial development, Japan was becoming increasingly able to satisfy her mounting needs herself. In 1937 her exports of machinery actually surpassed her imports—370 million as compared with 288 million yen. More than five-sixths of these exports, however, went to countries of the yen bloc, and the Japanese empire as a whole had an import surplus in machinery. Japan's machinery imports came almost entirely from the United States, Germany

and England, in 1938 her purchases from these three countries totaling, respectively, 158, 84 and 39 million yen. But in that year her own production of machinery amounted to 3,800 million yen—about one-fifth of her total industrial production; this was nearly five times its absolute level in 1929 and about nine times its low point in 1931.¹³

In this large-scale industrial development Japan was confronted, however, with a serious obstacle: her shortage of raw materials, especially those needed for heavy industry. In this respect all the world powers were in a far better position than Japan. The United States and the Soviet Union possessed within their own countries the greater part of the raw materials they needed. Even England's situation was better than Japan's, for her relations with the United States and her control of the seas assured her a raw material supply in war as well as in peace. Not only was Japan's raw material position unfavorable in Japan proper, but supplies from abroad were endangered by the Anglo-American powers in times of war.

Table 2 shows the raw material situation of Japan in 1936, the year before the attack on China. The most striking deficits were those in iron ores, alloys for steel production, oil, cotton, wool and rubber. For the last three materials Japan was entirely dependent on imports, and for the others her own production amounted to no more than 10 to 40 percent of domestic consumption. She imported, for example, more than four-fifths of her iron ore from foreign countries, and nine-tenths of her oil.

Even in regard to certain basic food supplies she was not self-sufficient. Here her greatest deficiency was in sugar, of which she produced not much more than 10 percent of her domestic consumption, and an even smaller proportion of her total needs, for some sugar was refined and exported to foreign countries. In the decade 1925-35 her own meagre sugar production showed a moderate increase, but her domestic consumption also rose, while exports were continued at about the same level.

¹³ *Japan Year Book*, 1940-41, p. 512.

TABLE 2. JAPAN'S DOMESTIC PRODUCTION AND IMPORTS OF PRINCIPAL RAW MATERIALS, 1936, in Percent of Total Domestic Consumption ^a

<i>Raw Material</i>	<i>Domes- tic Pro- duction</i>	<i>Imports from Colonies</i>	<i>Imports from Manchuria</i>	<i>Imports from Abroad</i>
Coal	89.2%	1.6%	4.9%	4.3%
Steel	91.6	1.6	—	6.8
Iron ore	12.5	5.3	—	82.2
Pig iron	64.6	4.0	8.8	22.7
Copper	61.7	0.8	2.7	34.8
Aluminum	40.5	—	—	59.5
Magnesium	100.0	—	—	—
Crude oil	10.0	—	—	90.0
Zinc	37.0	—	—	63.0
Lead	8.0	—	—	92.0
Nickel	—	—	—	100.0
Tin	28.8	—	—	71.2
Crude rubber	—	—	—	100.0
Sulphide iron ore	100.0	—	—	—
Wood pulp	70.2	—	—	29.8
Rayon	100.0	—	—	—
Silk cocoons	99.6	0.2	—	0.2
Raw cotton	—	1.3	—	98.7
Raw wool	—	—	—	100.0

^a From *Japan-Manchoukuo Year Book*, 1940, pp. 365-66.

Rice, the most essential food in the Japanese diet, constitutes about half of the value of total agricultural production, but to an increasing degree, domestic crops have fallen short of total consumption. The volume of rice produced varies considerably from year to year, and on the whole consumption rises or falls accordingly, but as the population has increased, a steadily rising proportion of domestic needs has had to be met by imports: from a negligible 4 or 5 percent at the time of World War I, this proportion rose to nearly 20 percent in the mid-1930's.

The inadequacies in Japan's domestic supply of raw materials and even certain food products, coupled with her resolution to become a world power of military preeminence, have determined the form and direction of Japan's imperialism. She realized at the end of the last century that her industrial production—even if it increased, and at times more quickly than that of the world

powers—would still lag far behind theirs if her domestic economy was not reinforced from the outside. To become a military power on the level of the other major nations—a goal that is not easily compatible with the normal processes of world trade—she had either to secure for herself supply bases for the materials she lacked, or build up a complementary economy in a politically dependent region—if possible, both. Both courses meant conquest; the second meant, in addition, a planned system of imperial economic integration. Both were followed by Japan: after her conquest of Manchuria her primary aim became the coordinated industrialization of homeland and outlying possessions.

Japan was in an exceptionally favorable geographic position for the attainment of her goal. The ideal area for imperial expansion in the service of a coordinated domestic and colonial production was at her very doorstep. And it was far distant from all other imperial powers except Russia, a possible threat which Japan removed in the war of 1904–05. The western imperialist nations, even if they had attempted to make their empires serve that purpose, would have been confronted with major problems arising out of sheer distance. The decisive difference between Japan's imperialism and that of the western powers lies in these facts: her primary aim of imperial economic integration, and the support of this aim by the objective conditions of geography.

III

Japan entered World War II under the slogan that it was a war against white imperialism: "Asia for the Asiatics." But in her own empire, which she began to build long before World War I, she has never carried out the implications of this maxim. Not only in Formosa and Korea but also in Manchuria and the occupied parts of China she has followed the conventional pattern of imperialism and acted as the ruling power, her own nationals occupying most of the top positions. Political and economic power has never been entrusted to the native Asiatic population.

Formosa, which is the oldest part of Japan's empire, may be

taken as an example. There, where Japan has been ruling for about fifty years, only about 5 percent of the population is Japanese, but this 5 percent is master of the country. In 1938 the nearly 5.5 million Chinese natives did not even have a newspaper in their own language. Almost three-fourths of the natives are engaged in agriculture (1930), as compared with less than 5 percent of the Japanese. The public services and professions, however, engage only 2 percent of the natives, and 42 percent of the Japanese (in Japan herself less than 7 percent of the population are in this occupational group). The proportion of Japanese in industry and trade is about twice as great as that of the natives, and, still more important, it is the Japanese who occupy the positions of owners and managers; over nine-tenths of the industrial capital in Formosa belongs to the Japanese.¹⁴ And this picture of Japanese economic dominance is substantially the same in the other colonies and territories under Japanese control.

Even more important than their occupational subordination of native populations is the fact that the Japanese have not altered the hierarchical structure of the agrarian economy in the conquered territories. Carryovers of feudalism, so evident in the Japanese homeland, have been preserved in the empire as well. Indigenous tenancy systems have been maintained, with their division of the agricultural population into a few landlords who do not till their soil and masses of tenant farmers who possess very little or no land of their own. The Japanese never went into the conquered countries as farmers.

Thus in Formosa (1938), as in Japan, over two-thirds of the families engaged in agriculture are tenants or semi-tenants.¹⁵ The tenancy system in Korea is even more extreme; there more than half of the agricultural population has no land at all, and a further one-fourth rents land in addition to its own. In Manchuria tenants and semi-tenants account for approximately half

¹⁴ The data in this paragraph are from Andrew J. Grajdanzev, *Formosa Today*, Institute of Pacific Relations (New York 1942).

¹⁵ Takumu Tokei, 1938, quoted by Grajdanzev, *Formosa Today* (cited above), p. 76.

the farming population. But in the empire, as in Japan, the crippling factor is not so much the tenancy system in itself as the staggering rents demanded of the tenants. "On an average the Korean tenant pays half of his crop as rent. . . . The living conditions of the tenants in Korea are miserable."¹⁶ In Manchuria, "As long as the major portion of the crop goes to the landlords, the income of a large part of the peasants is so small that capital accumulation and farm improvements are almost impossible."¹⁷

It is not difficult to find the reasons for this maintenance of feudal carryovers. Even apart from the natural inclinations of the semi-feudal caste which produced the Japanese conquerors, it was very much to Japan's advantage to continue the tenancy system. She needed friends among the native population, and her imperialism was not of a kind to encourage such friendship throughout the social structure. Since the Japanese themselves created and held the key industrial positions, the only group they could rely on was the landlords. As in India, this class was ready to support the conquerors if its income remained untouched. Still more important, however, were certain economic considerations which grew out of the particular nature of Japan's colonial aims.

In Formosa and to some extent in Korea—acquired in 1895 and 1910, respectively—these aims called for agricultural more than industrial integration of homeland and empire. To an increasing degree Japan used these colonies as a means of acquiring self-sufficiency in essential food products. Thus Formosa became the main source of Japan's sugar imports. In the middle 1920's, when Japan herself was producing no more than about 8 percent of her total requirements of sugar (for domestic consumption and a small amount for export in refined form), only half of her imports came from Formosa, the rest being supplied

¹⁶ Pelzer, *op. cit.*, p. 125.

¹⁷ W. Ladejinski, "Agriculture in Manchuria: Possibilities for Expansion," in *Foreign Agriculture*, vol. 1, no. 4 (April 1937) p. 164.

by foreign sources, particularly the Dutch Indies. After 1927, however, Formosa's contribution practically doubled, and by the mid-1930's it was sufficient for 85 to 90 percent of Japan's consumption, even though the latter had increased considerably. By that time foreign imports had so decreased that they were no greater than the amount which was refined for reexport.¹⁸

Formosa's contribution to Japan's rice supply also increased considerably in the decades after World War I, but for this food product the main source of Japan's imports was Korea. Until 1927 the imports from foreign countries, which fluctuated very widely, constituted in some years as much as half of Japan's total rice imports, but thereafter they declined abruptly to practically zero. By the mid-1930's nearly a fifth of Japan's rice consumption was taken care of by imports, and practically the whole of this amount came from Korea and Formosa, with Korea providing the greater part.

In these colonies the maintenance of the tenancy system proved a most efficient means of mobilizing any agricultural surpluses for export to the Japanese homeland. It kept the tenants' standard of living to a minimum, and provided the landlords with substantial surpluses for export. According to an investigation made by Japanese authorities in 1932, to determine the marketable surplus of rice in Korea, the tenants, constituting over half the agricultural population, had only 0.4 koku of rice per family member after payment of rent, while the landlords had 11.4 koku.¹⁹

The tenancy system, and its low living standard, not only made for agricultural surpluses but also led to an abundant supply of cheap labor for industrial production. And after 1931, when Japan obtained control over the vast territory of Manchuria and when the needs of her own industrial program began to increase so greatly, the industrial capacity of her possessions became a

¹⁸ *Japan-Manchoukuo Year Book*, 1935-39.

¹⁹ See Andrew J. Grajdanzev, *Modern Korea* (New York 1944) p. 117. A koku is about 5 bushels.

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TABLE 3. KOREA'S IMPORTS OF PRODUCTION GOODS, 1929-39.
In Yen and in Percent of Total Imports ^a

Production Good	1929	1936	1937	1938	1939
IN MILLIONS OF YEN					
Chemicals	12.8	25.6	28.5	44.4	51.7
Mineral mfgs.	22.4	46.9	51.4	64.1	94.4
Ores, metals	23.8	54.9	89.0	116.8	148.9
Metal mfgs.	16.3	45.6	55.9	74.5	102.7
Machinery, vehicles	31.3	84.2	105.4	132.3	206.4
TOTAL	106.6	257.2	330.2	432.1	604.1
IN PERCENT OF TOTAL IMPORTS					
Chemicals	3.0%	3.4%	3.3%	4.2%	3.7%
Mineral mfgs.	5.3	6.2	6.0	6.1	6.8
Ores, metals	5.6	7.2	10.4	11.1	10.8
Metal mfgs.	3.9	6.0	6.5	7.1	7.4
Machinery, vehicles	7.4	11.1	12.3	12.6	14.9
TOTAL	25.2	33.9	38.5	41.1	43.6

^a From Andrew J. Grajdanzev, *Modern Korea* (New York 1944) pp. 234, 307, 309.

matter of primary concern. As indicated above, it was mainly Manchuria that Japan created into a complement to her industrial economy, but she did not ignore the industrial possibilities in the colonies conquered earlier.

Thus in Korea, as is evident from Table 3, the imports of production goods showed, in absolute figures, nearly a sixfold increase between 1929 and 1939, and within that decade rose from one-fourth to not much less than half of total imports. And it was Japan that dominated Korea's foreign trade. Korea's imports from Japan rose from 340 million yen in 1933 to 921 million in 1938, while her exports to Japan increased from 316 to 711 million.²⁰ In 1939 nearly nine-tenths of her imports were from Japan, and most of the remainder were from other countries of the yen bloc; similarly, 97 percent of her exports went to the yen-bloc countries.²¹ In conjunction with the increase in her imports of production goods, Korea's own manufacturing production showed, of course, a considerable rise—from 367 million

²⁰ *Japan Year Book*, 1938-39.

²¹ Grajdanzev, *Modern Korea* (cited above) p. 228.

yen in 1933 to 1,140 million in 1938; this growth is noteworthy even if allowance is made for the 40 percent increase in the value of the yen. Coal production more than doubled during 1931-36, and heavy industry was expanded. Japan started the production of aluminum and magnesium, founded plants for synthetic oil production, and, in order to handle the growing trade with Manchuria, developed Korea's railroads, ports and electric power production. In 1938 nearly nine-tenths of the capital invested in Korean corporations was provided by Japan, and in industry, mining and communications the proportion was even higher.²²

After 1930 industrial development was promoted even in Formosa, especially the production of aluminum and crude oil. Here the available data are very scanty but it may be significant that Formosa's imports of ores, metals and their manufactures increased from 28 million yen in 1925-29 to 86 million in 1939.²³ Since 1936 most of these imports have been used for the production of war materials.

But the industrial progress achieved in Korea and Formosa, while substantial in comparison with earlier output in those countries, was far outstripped by Japan's development of Manchuria. There, for the first time on the Asiatic continent—except, of course, in the Soviet Union—industrialization was planned and carried out on a major scale.

As is evident from the following figures (in millions of yen),²⁴ Manchuria's industrial development, like that of Korea, was

	Exports	Imports	Import Surplus	Japan's Investments
1933	203.3	339.8	136.5	181.2
1934	318.7	408.6	89.9	271.7
1935	217.3	456.7	239.4	378.6
1936	280.9	534.6	253.7	262.9
1937	321.6	666.3	344.7	348.2
1938	416.8	933.4	516.6	439.4
1939	521.3	1,540.8	1,019.5	1,103.7

²² Kokusei Gurafu, 1940, quoted in Grajdanzev, *Formosa Today* (cited above), p. 112.

²³ *Ibid.*, p. 151.

²⁴ *Manchoukuo Year Book*, 1941.

accompanied by strongly increasing import surpluses. These corresponded roughly to Japan's investments in Manchuria. During the period 1932-39 Japanese investments in that country totaled nearly 3,100 million yen. Japan worked out a five-year plan for Manchuria, to start in 1937—it was revised upward in the following year—which called for investments of about 4,800 million yen, to be distributed according to the following percentages:²⁵ machinery and chemicals 27.0; coal liquefaction 20.7; iron and steel 14.5; transportation and communication 13.2; electric power 10.3; coal 6.1; immigration 4.5; agriculture 3.7. In the three years 1937-39 about two-fifths of this amount had been invested. Official figures on the years after 1939 are not available, but there are many indications that until her entry into World War II Japan continued to make investments in Manchuria on a considerable scale.

The fragmentary data available indicate that a large part of these investments were for production goods. Manchuria's imports of such goods (in millions of yen) and their percentage of her total imports in the years immediately after her conquest are shown in the following figures.²⁶ The data for 1938 are mis-

	Average 1932-34		1935		1937		1938	
Metals and ores	48.2	10.0%	63.8	10.5%	99.0	11.2%	169.0	13.0%
Machinery and tools	14.5	3.0	33.5	5.5	65.9	7.4	184.5	14.5
Misc. metal mfgs.	16.9	3.5	32.9	5.4	56.5	6.4	....	....
Vehicles and vessels	19.7	4.1	39.8	6.6	46.4	5.2	....	....

leading, as in that year "metals and ores" included "miscellaneous metal manufactures," and "machinery and tools" included "vehicles and vessels." According to the *Oriental Economist*, however, the trend of the earlier years was not interrupted: "Importation of general machinery and apparatus, electric machinery, appliances, vehicles and parts, lumber, and other such capital goods required for the setup of production facilities continued to register sharp gains after 1936; and the annual imported value

²⁵ *Ibid.*

²⁶ From Japanese government statistics on "Annual Returns of the Foreign Trade of Manchoukuo."

of the above-given four kinds of articles, together with iron, steel and copper, has risen from 154 million yen in 1936 to 555 million yen in 1939, a 3.5-fold expansion within four years."²⁷ This indicates that about half of the 1.1 billion yen that Japan invested in Manchuria in 1939 was devoted to production goods.

As for actual industrial production in Manchuria, and its conformance with the original and revised five-year plans, little more than guesses are possible, as here too Japan has stopped the publication of official data. From Table 4, however, a fairly clear picture is available of the progress in the all-important field of mineral production during the years immediately preceding the beginning of the new program, and of how it compared with the goals set forth in the two versions of the plan. It can certainly be assumed that after 1937 production far surpassed its levels of that year, as Japanese investments continued to pour into Manchuria and the latter's import surplus in her foreign trade with Japan was considerable. But even the data for 1937 show that six years after the conquest of Manchuria industrialization was in full gear, and that Japan had already created there the foundations for extensive heavy industry, by no means confining herself to mining and raw material production.

Even before the inauguration of the five-year plan, in the short period from 1934 to 1936, the total value of manufacturing production rose from 361 to 806 million yen.²⁸ Chemical production, for instance, rose in value from 104 to 167 million yen, metal production from 20 to 152 million, machinery and tools from 20 to 50 million. Japan began to build in Manchuria factories for complicated machine tools; she founded the Manchuria Aircraft Manufacturing Company, whose authorized capital of 20 million yen was fully paid in by 1939; she established the Manchuria Automobile Manufacturing Company, with an authorized capital of 100 million yen, of which 25 million had been paid in 1939. If the five-year plan and its subsequent revision had been

²⁷ *Oriental Economist* (April 1940) p. 218.

²⁸ *Japan-Manchoukuo Year Book*, 1940.

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completely carried out, Japan's raw material supply, even for an increasing iron and steel production, would have become independent of foreign countries. Manchuria would have become the greatest producer on the Asiatic mainland in coal and the products of heavy industry, and her chemical, synthetic oil and

TABLE 4. MINERAL AND ELECTRIC POWER PRODUCTION IN MANCHURIA, 1929-37, AND GOALS OF FIVE-YEAR PLAN ^a

Product	1929	1933	1934	1936	1937	Five-Year Plan	
						Original	Revised
Iron ore	986	1,177	1,133	1,795	2,257	6,600	12,000
Pig iron	294	434	476	647	739	2,400	4,860
Steel ingots	..	..	..	..	..	2,500	3,500
Steel, rolled	..	..	..	..	..	..	2,000
Lead ores	..	..	..	..	..	124	..
Manganese ore	0.72	0.75	0.70	0.28	..	..	..
Gold ore	14	18	..	..	..	200 mil- lion yen	300 mil- lion yen
Gold (in kgs.)	..	..	464	3,959	..		
Coal	10,024	9,063	10,619	12,082	12,540	27,000	38,000
Coke	388	476	521	712	1,114	..	..
Oil shale	..	2,683	2,106	3,648	..	..	..
Crude oil	..	87	58	123	..	..	..
Liquid fuel	..	..	..	..	..	1,356	2,500
Magnesite	32	71	100	192	350	..	..
Fire clay	69	112	79	148	266	..	..
Dolomite	..	..	166	179	..	..	..
Limestone	630	693	419	1,002	939	..	..
Aluminum	..	..	..	..	..	20	..
Asbestos	..	..	0.12	0.07	..	15	..
Cement	..	..	331	650	797	..	..
Sulphate of ammonia	..	..	26	181	182	..	..
Salt: Kwantung	242	291	242	413	429	..	..
Salt: Manchukuo	278	316	162	478	405	875	1,000
Soda ash	..	..	..	..	..	72	..
Pulp	..	..	..	..	..	300	400
Electricity generated (in million KWH)	..	..	782	1,248	1,481	..	..
Electric power (in thousand KW)	..	..	..	..	420	1,445	2,600

^a From *Fifth Report on Progress in Manchuria*, 1935, p. 166; *Sixth Report on Progress in Manchuria*, 1939, p. 157. Except where otherwise indicated, quantities are expressed in thousands of metric tons.

electric power production would have carried weight even on a world scale.

Meanwhile Japan had prepared plans for her own industrial expansion. The plans for Japan and for Manchuria were closely coordinated, and with the success of further Asiatic conquests North China, too, was included in the area of economic integration. It was expected that by 1942 the countries of the yen bloc would attain self-sufficiency in iron and steel, coal, light metals, zinc, soda, sulphate of ammonia, pulp, rolling stock, motorcars, and shipping.²⁹

In Manchuria, even more than in Japan herself, industrialization was determined, financed, directed and controlled under government auspices, working through a series of official and semi-official companies. As early as 1906, a quarter of a century before the actual conquest of the territory, the South Manchuria Railway Company had been founded, with a capital of 800 million yen, of which half was in the hands of the Japanese state. In 1940 its capital was increased to 1.4 billion yen, one-fourth of the increase being provided by the Japanese government and the remainder by the existing stockholders and the puppet government in Manchuria. The Manchuria Industrial Development Company was founded in 1937, with a capital of 450 million yen, raised in equal parts by the Manchurian government and the Japanese Nissan concern. These two companies have been the predominant instruments of Manchuria's industrial development. Japanese monopolies have carried out the task, but only within the framework of the production plans established by the state and the army.

IV

If the war against China could have been liquidated swiftly, if Japan could have concentrated completely on her plans for industrialization, the five-year plans could probably have been carried

²⁹ E. B. Schumpeter and others, *The Industrialization of Japan and Manchoukuo, 1930-1940* (New York 1940) pp. 273-74.

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out—though it might have taken somewhat more than five years. As it was, the continuation of the war against China forced Japan, whose reserves were already strained to the utmost, to put a sharp curb on industrial expansion, and her entry into World War II probably brought development to a standstill. But apart from this external check there were certain intrinsic difficulties in the realization of her program which must not be overlooked in evaluating either her success or her intentions.

It was pointed out above that at the beginning of the world economic crisis, shortly before the beginning of the gigantic efforts toward industrializing Manchuria, Japan's contribution to world industrial production amounted to only 2.4 percent. This industrial weakness was reflected even more in the figures on her national income, which during 1926-36 varied between 12.5 and 13.7 billion yen. Because of international variations in purchasing power it is always difficult to compare the national incomes of different countries, but some idea of Japan's position may be had from comparative estimates in terms of "international units." Colin Clark has estimated that during 1925-34 Japan's national income averaged 8.1 billion international units, as compared with 19 billion in Germany and Austria, 21.9 billion in Great Britain, and 65.6 billion in the United States, and that her real income per capita averaged 353 as compared with 1,069 in England and 1,381 in the United States.³⁰ Thus per capita income in Japan averaged about one-fourth of the American and one-third of the English.

It is obvious that with such a low level of income Japanese savings and investments could not be very significant in absolute figures. According to data cited by Clark,³¹ Japanese savings amounted to 22 percent of national income in 1919, 20 percent in 1928, 8 in 1931, and 22 again in 1936; but the annual rate of accumulation during the period 1913-30 averaged only 2.4 billion yen at 1930 prices. Even if we assume that this figure

³⁰ Clark, *op. cit.*, p. 56, p. 41.

³¹ *Ibid.*, pp. 400-01.

increased to around 3 billion a year during the 1930's, the fact remains that Japan's capital for domestic and imperial industrial investment was small in comparison with her aspirations in this field.

Furthermore, Japan's natural shortage in important raw materials and her need for food imports heavily burdened her balance of payments up to the early 1930's, when the production of the empire began to ease her international economic position. Even then she was by no means free of foreign sources of supply. During World War I she had built up a substantial credit in her balance of payments—estimated at more than 3 billion yen for the six years 1914–19, which was about 1.7 billion yen more than her net foreign indebtedness in the year before that war.³² But under peacetime conditions this situation could not last very long. Between the two wars Japan had an import surplus in every year except 1935 and 1938, and her imports were paid for partly by such methods as disposing of foreign credits and reducing gold reserves, but also by exporting a considerable part of her cherished industrial production—around 20 percent in 1933,³³ which was as high as England's proportion and three times as high as that of the United States. Before 1931 she occasionally received foreign loans, but not after her invasion of Manchuria. From the point of view of Japan's military aspirations this dependence on foreign countries was particularly onerous, as nearly two-thirds of her imports came from the United States and the British empire (1936), and over half of her exports went to those potential enemies.

In reviewing the overall picture it must be borne in mind that Japan's imperial policy has been an integral outgrowth of her economic, political and geographic situation in relation to the rest of the world. Every possible effort was made to develop the colonies and Manchuria in such a way that they could serve

³² Margaret I. Gordon, "Japan's Balance of International Payments, 1904–1931," in Schumpeter, *op. cit.*, Appendix, p. 874.

³³ Miriam S. Farley, *The Problem of Japanese Trade Expansion in the Post-war Situation* (New York 1939) pp. 33–34.

Japan's own needs and help her become a major military and industrial power. But the feudal hangovers that characterized agrarian society in Japan, and diminished the strength and resiliency of Japan's own economy, were continued in all the outlying territories. While this has made for cheap imports and cheap labor it has also meant a low standard of living, grinding exploitation by parasitic landowners, and a severely circumscribed home market for consumer goods. The colonies and Manchuria, like Japan herself, have been subjugated politically and economically by the Japanese ruling classes—the army leaders and the industrial overlords—and the leading positions in government and economy have been occupied by the Japanese. Economic development has been carefully planned, but planned for further military conquest rather than for the building up of a balanced peace economy.

The loss of her colonies and other territories deprives Japan of the possibilities for imperialist expansion. She will be forced now to take her place in the world on the basis of her own production and the normal processes of trade with other nations. This can be done if her economy is transformed from a warlike to a peaceful orientation. But whoever is to be responsible for such a transformation must be aware of the fact that it cannot occur without a concurrent transformation of her whole social and political structure.

(New York City)

FROM ESTIMATES OF NATIONAL INCOME TO PROJECTIONS OF THE NATION'S BUDGET

BY GERHARD COLM

Policy Use of National Income Statistics

ONLY a few decades ago estimates of national income were not recognized as quite respectable statistics. They belonged to the category of "speculative guestimates," lacking the actual or alleged accuracy of census data, price indices or statistics of foreign trade. Aggregates like national income or national wealth also presented conceptual problems of a peculiar kind: some writers even questioned the reality and significance of these "global" concepts. Finally, most of the recognized statistics were developed for some specific use in connection with either government or business operations. To be sure, many economic statistics originated as a by-product of a regulatory function of government. But the estimates of national income in the past were mainly utilized for oratorical purposes, to demonstrate progress that had been made by a nation under the leadership of a party or a man.

Breakdowns of national income estimates were used, for the most part, to show the various classes of the population who benefited from economic progress, particularly the shares that went to labor, capital and business management. These estimates were often used to prove or disprove theories which claimed that capitalism tends to bring about an increasing inequality in the distribution of the national product. Thus the estimates were so entangled in political controversy that conservative statisticians became suspicious of their scientific validity. They regarded them often as subjective, controversial and political, rather than as factual and objective data.

A drastic change has been taking place in these conditions—a change that will assure estimates of national income a central place among the respectable branches of economic statistics. First of all, modern economic theory, the dynamics of the flow of funds in the economic system, is more conducive to an understanding of the concept of national income than was the classical value theory approach. The argument that national income is a theoretical misconception is no longer heard. Secondly, broadening of the income tax bases and social security legislation have resulted in improvements in the statistics of various component parts of income. These and other advances in statistical sources have reduced the “speculative” element in national income estimation. The most important change resulted from the fact that estimates of national income were and are increasingly needed for recognized policy purposes. This development began after World War I.

In connection with the determination of Germany's reparations payments, the Treaty of Versailles provided for a comparison of the tax burdens of Germany and the Allied countries. Tax burden was interpreted as the ratio of tax payments to national income. A great many theoretical and statistical investigations were stimulated by this provision, although it never played an important role in the actual determination of Germany's reparations payments. The so-called Dawes plan introduced the “welfare index” as a measurement of changes in Germany's capacity to pay reparations, which again posed many theoretical problems concerning the relationship between national income, national welfare, and the capacity of a country to pay and transfer reparations.

Now, again, Germany's national income and Germany's ability to pay for war are being used in connection with the determination of Germany's capacity to provide reparations.

Recently statistics of national income have been used for appraising variable grants-in-aid to the states by the federal government. The distribution of the grants is proposed to achieve

more equal minimum standards in social assistance, education and other services. Several bills pending before Congress provide for "variable grants," using national (or state) income figures as a measurement of the fiscal capacity and the need of various states. In a similar way, national income estimates are being used, or are proposed to be used, as yardsticks for the contributions of various nations to international organizations, such as the United Nations Relief and Rehabilitation Administration, or possibly the world Security Organization.

During World War II statistics of national income became firmly established as one of the statistical tools of policy formulation. They have been used as a guide in the formulation of wartime fiscal policies. War expenditures, taxes and borrowing have had such a tremendous impact on the economy as a whole that fiscal policy, particularly of economic stabilization, has had to take account of the relationship between war expenditures, taxes and national income. It is significant that national income estimates have become a part of the United States federal budget tables¹ and also of the British budget presentation.²

A further development that is in process concerns the use of national income estimates in the discussion and formulation of postwar policies. The fact that governments are assuming the responsibility for full and steady employment opportunities represents one of the most spectacular changes in the scope of government functions. The charter of the new world organization includes the pledge that all member nations will promote measures leading to a higher standard of living, full employment and the like.

The British government, in its White Paper on "Employment Policy,"³ has assumed responsibility for a high and stable level

¹ *The Budget for the United States Government* for the fiscal year 1946, Appendix 10, "The Government's Budget and the Nation's Budget," pp. 830-31, and the summary table in the Budget Message, p. xxv.

² Cmd. 6623, "An Analysis of the Sources of War Finance and Estimates of the National Income and Expenditure in the Years 1938 to 1944," London, April 1945.

³ Cmd. 6527, London, May 1944.

of employment after the war. And in a recent document it stated the need to provide estimates of national income as a tool for full employment policy: ". . . the problem of maintaining employment is very largely the problem of maintaining total expenditure, public and private, and in an economy where this is accepted as one of the prime aims of government policy it becomes peculiarly important to have not only statistics adequate to measure that expenditure, but a method of bringing them together and of classifying them which makes possible the necessary comparisons with the immediate past and with the present position in other countries."⁴

The Murray-Patman bill⁵ for full employment in this country goes even a step further in requesting not only estimates of national income of the past, but also projections into the future as a basis for policy formulation. The bill proposes that the President be requested to transmit to Congress estimates of the most likely development of national income under the assumption that no new legislation is enacted. This estimate of likely national income will then be compared with an estimate of the potential national income that could be realized under, and is required for, full employment conditions. The difference between the two estimates will measure the increase in national income that ought to be achieved by the measures of a full employment program.

National income estimates related to the past are scarcely controversial any longer. National income projections into the future are now on the agenda for discussion, and there is a fair chance that such projections will become recognized tools of government policy formulation of the future. Nobody doubts that an effective foreign trade policy cannot be pursued without statistics of industrial production and international trade. In a

⁴ Cmd. 6623 (cited above) p. 2.

⁵ S. 380, January 22, 1945, and H.R. 2202, February 15, 1945, "A Bill to Establish a National Policy and Program for Assuring Continuing Full Employment in a Free Competitive Economy, through the Concerted Efforts of Industry, Agriculture, Labor, State and Local Governments, and the Federal Government."

similar way, statistics and projections of national income are necessary tools for a government policy designed to assure high production and full employment opportunities. "Global" statistics become operational tools when governments accept the responsibility for conditioning the working of the economy as a whole.

The concepts and methods used in estimating national income must be adapted to the questions which the estimates are designed to answer. These questions in turn are related to the policy purposes which the estimates are designed to serve.⁶

National Income Estimates as a Measure of Economic Progress

In earlier debates on the concept of national income the main issue was the formation of a comprehensive sum total which would represent the measurable part of the social product. In defining that comprehensive total statisticians had to overcome certain preconceptions inherited from classical economics. Classical value economics tended to narrow the concepts of social product and national income, for it focused attention on the values established in the process of exchange on the market place. Thus it was suggested that personal services, for instance, should be regarded as "derived" income, and government services as "non-productive." Both, therefore, were excluded from the concept of genuine income and social product.

Before a truly comprehensive definition of social product and national income could be formed, it was necessary to recognize that ours is a mixed economy in which values are established not only in the market place; productive functions are fulfilled also within the family unit, and by government. Political organs, as well as demand on the market place, decide about the allocation of productive resources for various purposes, in war and in peace. It is quite significant, I believe, that Clark, in his

⁶ For a definition of the statistical concept of national income as used in this article, see Gerhard Colm, "Public Revenue and Public Expenditure in National Income," *Studies in Income and Wealth*, vol. 1, National Bureau of Economic Research (New York 1937) pp. 175-80 and 240-41.

classical work on the cost of World War I,⁷ excluded the services of government personnel and of the military forces from his estimates of national income. Present estimates do include, as a matter of course, the expenditures for incomes derived from public services.

While national income estimates as a measurement of the aggregate social product must be comprehensive, they should nevertheless be on a net rather than a gross basis. Profits that enter the net national income are computed after an allowance is made for depreciation and depletion, as for all other cost items. Net national income, if conceived in terms of market values of goods and services, is equal to total consumption of goods and services, private and public, plus gross investments, private and public, minus depreciation and depletion. If a nation increases its private and public consumption, but fails to keep up its capital equipment, it consumes capital in that period. This capital consumption is counted as a minus item in the social product, and must be deducted if national income is to be used as a yardstick of economic effort and economic progress.

National Income Estimates as a Measure of Fiscal Capacity

If national income estimates are used for the measurement of the fiscal capacity of a nation or a government unit (state or municipality) within a nation, other conceptual questions have to be considered.

In estimating national income in the various states of the Union the concept of income received by individuals is frequently used, and the use of these statistics has been proposed for measuring the fiscal capacity of the various states.⁸ Others have suggested that "income produced" should be used for purposes of allocating to states grants in accord with fiscal capacity.⁹ Within

⁷ J. M. Clark, *The Cost of the World War to the American People* (New Haven 1931).

⁸ "State Income Payments in 1943," in *Survey of Current Business* (August 1944).

⁹ See Paul Studenski, "Measurement of Variations in State Economic and Fiscal Capacity," Social Security Board, *Bureau Memorandum*, no. 50 (March 1943).

the boundaries of a state, incomes received and income produced may differ substantially as measurements of the fiscal capacity of that state.

Assume that a state has a great many plantations or factories, the owners of which reside in another state. In this case the inhabitants of the first state have a larger income produced than received; the inhabitants of the latter state have a larger income received than produced. If income is to be used for purposes of measuring relative fiscal capacity, the definition must be related to the potential tax policy of the government unit. Within certain limits a state can adjust its tax laws and can impose taxes on incomes received from out-of-state economic activities, and can also tax productive property located in the state, or profits realized in the state. This suggests the conclusion that the average of income produced and income received might be used as a basis for measuring the fiscal capacity of states.

If national income is to be used as a basis for allotting contributions to international organizations, one must remember first of all that the accuracy of national income estimates varies greatly from country to country. There is, therefore, little room for too fine distinctions. For most countries the difference between income produced and income received would lie within the margin of error.

A more important problem results from the fact that a country may have a national income of, say, 50 billion dollars either with a large and poor or with a small and wealthy population. In the two cases 50 billion dollars certainly represents different capacities, and the two countries should not make the same contribution to an international organization. Theoretically, the best measurement would be the amount of total income in excess of a certain minimum needed for the maintenance of the population's health. This, however, is hardly a practical solution, because of the difficulty in measuring the minimum of subsistence and because that minimum may, in some cases, be as large as or larger than the actual national income. Under such a formula,

even if it were feasible, some countries would have to make no contribution—and contributions to international organizations are not only a financial burden but also a point of political prestige for the nations involved. As a compromise one might consider an index that is derived from an average of total income and income per capita. There would be much room for debate as to appropriate weights to be given to each of the two component parts of the index.

National Income Estimates as a Measure of the War Effort

The use of national income estimates for measuring the war effort has brought a significant innovation. In this usage the concept of *net* national income has been largely replaced by *gross* national income (or gross national product).¹⁰ Gross national income (product) is now the prevailing concept used in the official estimates of the Department of Commerce, and recently it has been used also in official British documents.¹¹ The concept of gross national income (product) has been used so generally during the war that it should be critically examined in order to determine to what extent it should permanently replace the traditional concept of net national income.

There were good reasons for departing from the concept of net national income as it was formerly used by the Department of Commerce. First of all, the Department of Commerce concept of net national income excluded all business taxes, following a method previously established by Simon Kuznets for the National Bureau of Economic Research. Kuznets suggested that the taxes paid by business could be regarded as compensation for the cost services which the government renders to business and which

¹⁰ Gross national income and gross national product are identical aggregates. Gross national income is built up from the receipts side; gross national product from the side of expenditures for various categories of goods and services. The statistical concept of gross national product was used before the war by Simon Kuznets in *National Income and Capital Formation, 1919-1935*, National Bureau of Economic Research (New York 1937). I discussed his use of the concept in my review of that book in *Social Research*, vol. 5 (May 1938) pp. 243-45.

¹¹ Cmd. 6623 (cited above).

enter into the value of goods and services produced by business.¹² I believe it was arbitrary in peacetime to assume that the government's cost services to business are equal to the taxes paid by business, and during the war, when business taxes constituted one of the main sources of war financing, such an assumption became absurd.¹³ The Department of Commerce did not revise its concept of net national income but shifted over to the concept of gross national income, in which all taxes paid by business are included.

There was a second reason, however, for departing from the use of net national income. In measuring the war effort we should use as a total the amount of goods and services available for either civilian purposes or war purposes. And the gross national income is often described as the sum total of all goods and services available for use in a specific period, whether for individual consumption, or for government purposes, or for capital investments (new investments and replacements). Moreover, gross national income (product) differs from net national income, as defined by the Department of Commerce, not only by its inclusion of business taxes but also by its inclusion of allowances for depreciation, depletion and similar reserves. Thus it includes the goods and services made available by capital consumption as well as by current production.

Let us assume a very extreme case. A country has a net national income of 80 billion dollars (including business taxes). Depreciation, depletion and similar allowances are 20 billion dollars. During the war it uses all its facilities for producing 50 billion dollars of consumers' essentials and 50 billion dollars of munitions. No production is used for expansion or for replacement of worn-out plant and equipment. If the war effort were measured as a percentage of net national income it would be the ratio of 50 to 80, or 62.5 percent. Civilian consumption in

¹² See, for instance, his discussion in *Studies in Income and Wealth*, vol. 1, part 5 (cited above) p. 237.

¹³ Simon Kuznets has therefore modified his proposal. See his *National Product, War and Prewar*, National Bureau of Economic Research (February 1944) p. 4.

relation to net national income would also be 62.5 percent, thus making a total of 125 percent. But if gross national product were used as a yardstick, we would have 50 percent production for war, 50 percent for consumers, totaling 100 percent of the gross national income (product)—certainly a more significant measurement.

Let us examine now how these two concepts actually serve as measurements of the relative war effort of two countries, say Britain and the United States. In the calendar years 1942 and 1944 the war expenditures (goods and services) of these two countries constituted the following percentages of net national income and of gross national product: ¹⁴

	United Kingdom		United States	
	1942	1944	1942	1944
% of net national income	54%	56%	41%	54%
% of gross national product	44	46	33	43

It is highly significant that in 1944 the percentage of the national product (gross or net) absorbed for the war effort was very similar in Britain and the United States, though actually the impact of the war on the national economy was quite different in the two countries. This difference is evident from the accom-

	United Kingdom	United States
	1939-44	1940-44
	Base: 1938	Base: 1939
Increased output	40%	107%
Decrease (increase) in civilian consumption	23	-20
Decrease in government non-war expenditures	2	7
Reduced provision for domestic capital	17	4
Liquidation of overseas assets	18	2
Total costs of defense and war	100	100

panying figures on how the total economic costs of defense and war were compensated in Britain and the United States. The percentages were computed by summing up, for the main items in gross national product (adjusted for price differences), all

¹⁴ Based on data in Cmd. 6623 (cited above) and in *Survey of Current Business* (February 1945). The concept of net national income is used differently in Britain and the United States, and thus the comparison can be regarded only as an approximation.

changes during 1939-44 (United Kingdom) or 1940-44 (United States), as compared with the base year (1938 or 1939).¹⁵

In both countries the largest contribution toward compensating the economic cost of the war came from an increased productive effort. But the increase was much larger in the United States than in Britain—was so large, in fact, that in the United States, after allowing for the price rise, total civilian consumption during the war was higher than before the war (though its composition was drastically different, because of the cut in consumers' durable goods and the expansion in non-durable goods), and thus civilian consumption absorbed part of the contribution made by increased production. In the United Kingdom, on the other hand, the war forced a substantial decrease in civilian consumption.

Both countries compensated for a portion of their war expenditures by a decrease in domestic business investments for non-war purposes (including reduction in residential construction and inventory decumulation), and again this cut was much sharper in the United Kingdom than in the United States. Government outlays for new war plants are included under war expenditures, and to the extent that war plants have some peacetime value, the cut in business investments shown by the statistics may be exaggerated; this is true also in those cases in which replacements or expansion have been made under the guise of repairs. In Britain a considerable portion of the war costs was compensated by liquidation of overseas assets, and in both countries a certain part was accounted for by a decrease in government expenditures not related to the war.

From these figures it is evident that neither net national income nor gross national product is entirely satisfactory as a yardstick for measuring the relative war effort of different countries. For this purpose, and also for measuring the war effort of any particu-

¹⁵ The computation, which has been made by Norman Albrecht, is based on data in Cmd. 6623 (cited above) and in *Survey of Current Business* (February 1945). Because of a difference in the deflating index numbers used, the figures for the United States vary slightly from those in "The National Finances," *Economist*, May 5, 1945, pp. 593-94.

lar country, the best yardstick, I believe, is the sum of net national income (properly defined) and capital consumption. Gross national product is not identical with this total, but it is closer to it than is net national income, as measured by the Department of Commerce concept. Thus there was certainly a practical justification for using gross national product during the war, when the Commerce concept of net national income represented the only alternative.

For the postwar period I hope that a revised and improved concept of net national income will be used as the best aggregate for measuring economic activities as a whole. An improved concept of net national income should reflect government services, irrespective of the way in which they happen to be financed. An allowance should be made, however, for "cost services" to business, which are presumably reflected in the real value of goods and services supplied by business. Also, a more adequate allowance should be made for transfer payments, including especially the debt service of the federal government.

National Income Estimates as an Aid in Postwar Policies

In spite of the fact that net national income represents the best aggregate measurement, gross national product may still play a continuing role as an auxiliary concept. This is evident from a development of the war period which will be equally important, or even more important, for the postwar period.

The use of income estimates for measuring the wartime inflationary pressure necessitated not only estimates of aggregate national income, but also a more detailed analysis of the flow of funds in the economy as compared with the supply of goods. A similar analysis of the flow of funds and the potential and actual supply of goods and services will also be essential for the formulation of postwar policies. It may be said, of course, that statisticians have always been interested in the composition and breakdown of the national income, as well as in the aggregate. Indeed, ever since estimates of national income were first made, we find

attempts to break down the national income by income classes or income types, such as wages, profits, rents and so on. There developed a need, however, not only for a refinement of these breakdown classifications, but also for a statistical analysis of the flow of income and expenditures. Thus national income estimates have given rise to a system of national economic accounts, and to the establishment of "The Nation's Budget."¹⁶

President Roosevelt included the accompanying summary table of "The Nation's Budget" in his Budget Message of January 1945. The advantage of this type of national income presentation is, first of all, of a technical nature. The procedure of contrasting for each group—consumers, business and government—the income and the expenditure accounts, with savings or dissavings as balancing items, affords a double check on the plausibility and consistency of the estimates. This becomes particularly important when estimates are not only prepared for the past but also projected into the future. Second, the presentation of the in-go and out-go of funds for each of these groups permits a demonstration of the effect that various government policies may have on economic transactions by consumers and business. With respect to business, a subdivision of domestic and international transactions would be desirable.

In the Third Report of the Director of War Mobilization and Reconversion, to the President and Congress, July 1, 1945, Judge Vinson said: "Appropriate use of budgetary policy for economic stabilization will require improvement of existing techniques for

¹⁶ Grover Ensley, in "A Budget for the Nation," *Social Research*, vol. 10 (September 1943) pp. 280-300, and in his prize-winning essay, "The Ten-Billion Dollar Question," Pabst Postwar Employment Awards, 1944, has demonstrated the policy use that can be made of the nation's budget estimates for purposes of planning postwar policies as well as for war finance. See also Gerhard Colm, "Fiscal Policy in Economic Reconstruction," to be published in the forthcoming book, *Economic Reconstruction: A Series of Lectures Delivered at the Graduate School of Public Administration, Harvard University*. It is interesting and encouraging to find that this kind of analysis has even reached popular magazines. See, for instance, Sumner H. Slichter, "A Formula for Avoiding a Tailspin," in *New York Times Magazine*, June 17, 1945.

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THE NATION'S BUDGET

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THE GOVERNMENT'S BUDGET AND THE NATION'S BUDGET ^a
Calendar Years 1939 and 1944; in Billions of Dollars

Economic Group	Calendar Year 1939			Calendar Year 1944		
	Re- ceipts	Expen- ditures	Excess (+) Deficit (-)	Re- ceipts	Expen- ditures	Excess (+) Deficit (-)
CONSUMERS						
Income after taxes	\$67.3			\$132.8		
Expenditures		\$61.7			\$97.0	
Savings (+)			+\$5.6			+\$35.8
BUSINESS						
Undistributed profits and reserves	8.3			12.3		
Gross capital formation		10.9			2.6	
Excess of receipts (+) or capital formation (-)			-2.6			+9.7
STATE AND LOCAL GOVERNMENT						
Receipts from the public, other than borrowing	8.9			10.4		
Payments to the public		9.1			8.8	
Excess of receipts (+) or payments (-)			-0.2			+1.6
FEDERAL GOVERNMENT						
Receipts from the public, other than borrowing	6.5			47.9		
Payments to the public		9.3			95.0	
Excess of receipts (+) or payments (-)			-2.8			-47.1
Less: Adjustments ^b	2.4	2.4		5.9	5.9	
TOTAL: GROSS NATIONAL PRODUCT						
Receipts	88.6			197.5		
Expenditures		88.6			197.5	
Balance			0			0

^a For details and explanation see *The Budget of the United States Government* for the fiscal year 1946, Appendix 10, pp. 830 ff. The figures represent current prices; in 1944 prices were between 25 and 30 percent above their 1939 level.

^b Mainly government expenditures for items other than goods and services.

fiscal planning. The Administration must be prepared to submit a government budget framed and analyzed in relation to the total national budget; the Congress must be equipped to consider and, if necessary, revise the budget on the same basis."

In the nation's budget the total of receipts and expenditures is the gross national product. Thus we find in this presentation of national income the concept which, though it can be justified on practical grounds as a wartime measurement, cannot be justified as a peacetime yardstick of the aggregate economic effort. The wartime use of this concept is justified, as we have seen, because in assessing the war effort we need a measurement of total goods and services made available through either current production or capital consumption. But to the extent that plant, equipment and resources are exhausted without replacement, gross national product does not measure the aggregate economic effort. To the extent that replacements actually take place, the use of gross national product implies double counting.¹⁷

Therefore if we wish to avoid the double counting it appears that we should include under "business" net rather than gross capital formation. That, however, would be undesirable and would impair the usefulness of the presentation. The statistics of capital formation include outlays for construction and for

¹⁷ Net national income includes profits, wages and other incomes earned in the production of replacement goods as well as in all other production. Therefore if depreciation is added to net national income—thus making it gross national income (product)—the result is double counting to the extent that replacements have taken place. The same result would be obtained if the gross national product were computed by adding all expenditures for final goods and services, including the capital goods that compensate for worn-out plant and machinery and depleted resources: the expenditures for the finished goods reflect all costs of production, including depreciation and depletion, and thus double counting would be the result if the value of expenditures for replacement goods were included. The case would not be different in principle if we were to add coal and steel and machinery in the computation of the value of goods produced. That some double counting is implied in the use of the gross national product concept is recognized by Milton Gilbert, Chief of the National Income Unit, Department of Commerce, in a recent paper, "National Income: Concepts and Measurements," in "Measuring and Projecting National Income," National Industrial Conference Board, *Studies in Business Policy*, no. 5 (March 1945).

producers' durable goods. The estimates of these totals are more reliable than any attempt to separate from outlays for replacements the outlays for new or expanded buildings and factories. Furthermore, for an analysis of economic trends—for instance, of deflationary developments—a reduction in replacements is of the same importance as a reduction in new investments. Particular economic policies of business stimulation may affect industrial replacements as well as expansion.

Thus for both technical and policy reasons it is desirable to include gross rather than net investments in the "business" bracket of the tabulation. Similarly, it would be undesirable to exclude depreciation from the value of consumers' goods; such an adjustment would distort the presentation of consumer income-expenditure-savings relationships. Therefore we must find another way of dealing with the fact that depreciation and depletion, or their counterpart, replacements, run twice through the national accounts.

The best solution, it seems to me, is to add a line to the sum total in the nation's budget table, a line reading "Adjustment for double counting of depreciation and depletion (or replacements)," and thus obtain an adjusted total, "Net national income (or net national product)." If aggregates of national income are used for comparison over a period of time, or for international comparison, only this adjusted total, "Net national income," should be used. While the wartime concept of gross national product will have its place in peacetime estimates and projections as the arithmetical total of significant parts, an improved concept of net national income is preferable when the totals themselves rather than the component parts are to be used. It would be very undesirable if gross national product should be regarded as generally preferable to net national income. The latter is still the best expression of the "measurable part of the social product"—for popular usage as well as for accurately determining economic progress or regression.

National income estimates as tools for policy purposes are

useful only if they permit the drawing of conclusions for the future. Such conclusions, projections into the future, may be reached simply and verbally, as was done, for instance, in the text accompanying the nation's budget table in the President's Budget Message of 1945, or they may be presented in tabular form.¹⁸ Such projections are, of course, necessarily hypothetical. For policy planning at least two sets of projections are always needed. One must ask, first, what developments are likely to occur if policies under consideration are not adopted; and, second, what developments are to be expected if such policies are adopted.¹⁹

In discussing projections of the nation's budget I shall, in this article, consider only conceptual problems, and shall not go into the matter of statistical methods and sources.²⁰

The validity of national income projections into the future depends on two factors: first, on our ability to make a prediction or at least a reasonable assumption with respect to what may be called autonomous changes to be expected in some basic items of the nation's budget—changes that are likely to take place irrespective of economic conditions; and second, on the development of reasonable relationships between these autonomous changes (including changes in price and cost prospects) and certain dependent factors, such as consumers' disposable income, consumers' spending, and business investments in inventories.²¹

As an example let us consider how the nation's budget could be expected to be affected by a change from a global war in one

¹⁸ See, for example, National Planning Association, *National Budgets for Full Employment* (April 1945).

¹⁹ This, in substance, is the statistical prescription in Senator Murray's Full Employment bill, S. 380 (cited above).

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fiscal year to a one-front war in the next fiscal year.²² This shift certainly implies a decline in war expenditures—a 20 billion dollar decline, according to estimates based on anticipated one-front war strategy and many other considerations. On the other hand, certain federal non-war expenditures and expenditures of local governments are in these circumstances bound to increase somewhat, irrespective of general economic conditions. Furthermore, it is reasonable to predict that business investments and construction will increase substantially as soon as plant, material and labor resources are released from war production. These are examples of “autonomous” changes that can be predicted or assumed under the given hypothesis.

Our second step is to estimate how these autonomous changes will affect dependent factors. Changes in government expenditures and business investments affect consumers' incomes. Assuming certain tax policies, we can arrive at a first approximation of changes in consumers' disposable income. This estimate then provides a first basis for a tentative estimate of corresponding changes in consumers' expenditures. In estimating the dependent factors we must use some measurement of past relationship, such as the relation between consumers' disposable income and consumers' expenditures for durable goods, for non-durable goods, for services, and for savings. But we do not need to use this relationship in a mechanical way. We can again introduce “autonomous” factors as variants in the application of any consumption function based on past experience. We may consider the hypothesis that in the period of transition discharged or graded-down war workers will not immediately adjust their standard of living to their lower income, but will use some of their past savings as a cushion; we may take into account the possibility that consumers will buy practically all the durable goods that appear on the market, again largely financed by past savings.

When we have reached the first tentative estimate for the auto-

²² This example has been made unrealistic by the events of August 1945, but since it is only illustrative it may still serve satisfactorily for present purposes.

useful only if they permit the drawing of conclusions for the future. Such conclusions, projections into the future, may be reached simply and verbally, as was done, for instance, in the text accompanying the nation's budget table in the President's Budget Message of 1945, or they may be presented in tabular form.¹⁸ Such projections are, of course, necessarily hypothetical. For policy planning at least two sets of projections are always needed. One must ask, first, what developments are likely to occur if policies under consideration are not adopted; and, second, what developments are to be expected if such policies are adopted.¹⁹

In discussing projections of the nation's budget I shall, in this article, consider only conceptual problems, and shall not go into the matter of statistical methods and sources.²⁰

The validity of national income projections into the future depends on two factors: first, on our ability to make a prediction or at least a reasonable assumption with respect to what may be called autonomous changes to be expected in some basic items of the nation's budget—changes that are likely to take place irrespective of economic conditions; and second, on the development of reasonable relationships between these autonomous changes (including changes in price and cost prospects) and certain dependent factors, such as consumers' disposable income, consumers' spending, and business investments in inventories.²¹

As an example let us consider how the nation's budget could be expected to be affected by a change from a global war in one

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nomous and the dependent changes from our base period, we add them up and examine the internal consistency of estimated consumers' income, expenditures and savings; business receipts and investments; government receipts and expenditures; and total national income. While we consider certain business investments subject to autonomous changes, in this second round we take account of the fact that total business investments are also influenced by general economic conditions.

Projections of this kind permit reasonable estimates of probable developments under certain conditions, the validity of the estimates depending, of course, on the validity of the basic assumptions. It appears plausible that for the period of the one-front war, for example, the reduction in war expenditures will be largely offset by increased business outlays and cushioned by consumers' dissavings; considering a probably small reduction in the labor force, only a moderate increase in unemployment can be expected. Such estimates are important as a guide for government policies; they show the need to maintain economic stabilization controls and to postpone deferrable public works. In a similar way, it is possible to analyze economic prospects in the period of total demobilization after final victory, and to derive conclusions regarding necessary government policies for the postwar period.

The nation's budget projections can be translated into labor and job budgets—indicating the number of employed or unemployed implied in the dollar figures. The global estimates also can be broken down into much greater detail concerning specific industries. Thus they may be of great value for businessmen, showing them the implication of government policies for their specific lines of business. Most important, projections can be made under varied assumptions, for example, assuming different sets of government tax or expenditure policies. The greatest value of these projections lies in the fact that they enable us to appraise alternative policies in quantitative terms.

A physician, before prescribing a cure, appraises the condition

of his patient, the course which the disease might take if no medicine were given, and the probable effects of various alternative medicines that he may prescribe. In forming his judgments the physician considers past experience as well as the specific conditions in this particular case. That is how we expect a careful doctor to proceed. And it seems only natural that the statesman should expect the economist to provide him with the same sort of analysis, so that he can base his decisions on a realistic appraisal of all relevant factors. Economic projections are just a convenient method for presenting a realistic economic analysis in quantitative terms. They reflect past experience, expectation of changes, observation of economic regularities and irregularities; and they impel the economist to consider all these tendencies and counter-tendencies in quantitative terms. They cannot present exact forecasts, but they can be extremely useful tools of policy formulation. That, and nothing else, is the purpose of projections of the nation's budget.

COMMENTARY ON "GREAT BRITAIN'S TRADE POLICY"

Two considerations have prompted the writing of this note on Professor Schüller's refreshing review of our trade problems.¹ In the first place, it is still rare that these problems strike the overseas economist with anything like the urgency that is felt on all sides in Britain. Only a few months ago Mr. B. K. Sandwell admitted that "the Canadian delegation to the Chatham House Conference on Commonwealth Relations has been surprised and slightly embarrassed at the intensity of the London concern about the balance of payments between Britain and the outside world: surprised because the extent of the new British obligations abroad has never been appreciated, and embarrassed because Canada is obviously a funnel by means of which British funds are drawn off towards the United States."² Professor Schüller's survey suffers from no such shortcoming, although he might not fully subscribe to Lord Keynes's fear that our problems are such that "beneath them we shall stagger." In the second place, it is most heartening to read not merely a critique of what the *Economist* (January 29, 1944) regards as the inevitable temporary "less-than-universal, less-than-fully-multilateral, less-than-completely-orthodox alternatives" to the long-term multilateral solution, but also the positive conclusion that such temporary expedients are unnecessary. This comes as a pleasant surprise. Let us therefore look at some of the major links in Professor Schüller's argument.

While agreeing that there will be a considerable gap in the British balance of payments and that a policy of expanding exports is preferable to one of contracting imports, Professor Schüller questions whether the regional solution suggested by the *Economist*³ will be adequate for the problem. And this because he has a very natural fear that the administrative complexities and delays inherent in even the most efficiently-run system of exchange control would tend to depress the level of imports rather than induce the rise of exports. This may be true, even though, as the *Economist* laments frequently (for example, January 13, 1945), "Exchange control" is still unques-

¹ Richard Schüller, "Great Britain's Trade Policy," in *Social Research*, vol. 11 (September 1944) pp. 268-84.

² In *Manchester Guardian*, March 8, 1945.

³ Eight articles in the London *Economist*, January and February 1944.

tionably assumed to imply 'restriction'—no matter how clearly it may be shown that the restrictive element does not rest in the control but in the scarcity of foreign currencies or gold."

But the specific meaning here of the *Economist* plan has perhaps not been fully appreciated by Professor Schüller. The idea is that as the overdraft facilities of, say, Belgium with Britain are used up, there should not be an automatic restriction in Belgian imports of British goods but rather some attempt—possibly by tariff concessions or bulk purchases—to buy more Belgian goods. That would increase trade between the two countries without reducing trade with third countries. If there was no shortage of dollars the need for this type of arrangement would not arise; the arrangement would be hardly likely to leave unspent dollars in either Britain or Belgium. Reasonable men may differ as to the workability of such a scheme under the assumed conditions, but *if it works as outlined surely it would increase the sum total of world trade.*

The alternative recommended by Professor Schüller is Britain's general use of her strong bargaining power. "After the war," he says, "the countries that need access to the British market for their exports, and have an active trade balance with Great Britain, will be obliged to grant considerable concessions to her exports, and the area where such advantages can be obtained is much larger than the proposed regional area" (p. 280). This idea has been widely canvassed in some quarters in this country. Thus, in the last of three articles by a Special Correspondent in the *London Times* (August 23, 1944), it was concluded that "The problem of Britain's balance of payments can be solved only by making use of the bargaining power inherent in Britain's position as a large market and as a debtor. The object of the bargaining would not be to squeeze the supplier but to *induce the supplier to pursue, on his part, the only policy that can benefit himself*" (italics not in original).

Although the purpose is different the method is essentially that employed hitherto in its most general form by Dr. Schacht. And on Professor Schüller's own showing (p. 273), German trade lagged far behind American and British trade in 1937 as compared with 1930, although Germany was trying to *increase* her trade and not balance it at a low level. It seems doubtful whether any very large part of the relative fall can be attributed solely to the exchange control administration itself, unwieldy though it was. The decline is even more surprising when it is remembered that Schacht operated in an apparently favorable climate.

Before the same type of method can be safely prescribed for Great Britain it is essential to ask ourselves whether Britain would have to bargain with relatively poor and undeveloped countries which had specialized on a few primary products of which there was a world glut; whether our suppliers would find it quite as difficult to market their exports elsewhere in the world as did the Balkan countries; whether some countries (notably Turkey) did not manage, for long unaided, to limit their reliance on the German market; and whether we should lightly dismiss the possibility that other important trading countries would follow the British example in order to assure themselves of export outlets. With regard to the latter, it would be serious for Britain if the United States adopted a wholehearted bargaining policy, for, as a result of the small importance of the United States' exports as compared with her national income, she could afford to launch an export drive on a much more lavish scale than could Great Britain, and thus beat the latter at her own game. This might seem foolishly fanciful, but it must be remembered that the United States will be the world's chief source of capital supplies, and any such policy as that suggested on the part of Britain might wed the United States firmly to a policy of tied loans. That would have most regrettable consequences from the British standpoint.

Again, it may well be the case that "the United Kingdom would make a bad bargain if she replaced imperial preference by control of exchange and trade" (p. 281), but it is not quite clear what Professor Schüller intends to convey when he says, in the preceding paragraph, that "the Ottawa agreements . . . placed the economic integration of the empire on a permanent basis." Even in 1932 the Dominion economies were sufficiently diversified to cause a great deal of difficulty in arranging reciprocal preferences, particularly in the case of Canada, the most industrialized Dominion. Today the limitations due to competitive industrial and agricultural production in the empire would be found to be much more pronounced, whilst the ability to help the producers of products of which the empire has a net export surplus would not be any greater, nor would the concern of the various empire countries for the continued goodwill of important foreign markets be less. It is easy to exaggerate the beneficial effects of Ottawa by comparing the percentage variations in inter-imperial trade over the 1930's. It is incumbent on us sedulously to avoid the *post hoc* fallacy, and to remember that the biggest increase in inter-imperial trade took place in 1932, the first year of the operation of the protection-cum-preference policy of the United Kingdom.

and that after 1936 other influences submerge the consequences that are clearly due to Ottawa.⁴

That the empire was not irrevocably bound to the Ottawa system was recognized before the Anglo-American Trade Agreement of 1938 was signed, and in the report of the Anglo-Australian trade discussions of the same year.⁵ Naturally, some sectional interests here are firmly pledged to the maintenance of imperial preference, regardless of its true economic significance, yet only the staunchest free trader would seriously recommend the unilateral abandonment of the system. It is a useful bargaining counter as long as its limitations are not overlooked by those who use it. The cautiously phrased Press Committee *Note on the British Commonwealth Relations Conference*, issued by Chatham House, probably best sums up the prevailing attitude within the empire when it says: "The Ottawa Agreement had not worked entirely in the way that had been expected or fulfilled all hopes, and though some delegates warned the Conference against too hasty a change of the existing régime, the view was expressed that the preferences which had been set up between the Commonwealth countries might with advantage be reduced, if by so doing tariff reductions were made by other countries" (p. 6).

Finally, let us examine Professor Schüller's suggestion of a *Zollverein* between Great Britain, Denmark, Norway, Holland and Belgium. It is true both that the four foreign countries have in the past attempted to form a free trade group and that trade with Britain is overwhelmingly important to them. But if Britain were included in the club it would soon be realized that the economies were far from complementary, particularly the British and Belgian economies, and that British agricultural policy was in peril. While it is true that any significant change of economic policy involves adjustments somewhere or other, it seems highly unlikely that, say, the British or Belgian economies would be satisfactorily altered to fit into the free-trade union if there was any chance that further large-scale readjustments might be involved if another country obtained membership. The *Zollverein* would therefore either prove abortive or become one of an exclusive nature, an island in a sea of unfree trade. Furthermore, how are the Dominions to fit into the scheme? Holland and Denmark in particular are rival producers of pastoral products for the British market; free import of their foodstuffs into the United

⁴ For a fuller treatment of the Ottawa agreements see an article by the present writer in *The Banker* (June 1944).

⁵ See the *Memorandum of Conclusions* (Cmd. 5805 of 1938).

Kingdom market whilst the Dominions remained on so-called preferential tariff scales—a customs union being an exception to most-favored-nation treatment—would be imperial *disintegration* with a vengeance. This plan can hardly be entertained seriously as a contribution to a solution of Britain's pressing trade problems.

This note has been in the main critical of Professor Schüller's survey of Britain's trade policy. It cannot be terminated without specific acknowledgment of at least one point of complete agreement. Professor Schüller remarks twice in the course of his article that it is impossible to use statistics of former years to indicate the trade balance in the immediate future, for trends frequently change and can never be relied upon to continue evenly. As he says, it is not improbable that the gap in the balance of payments will not be so threatening as the perhaps undue attention to prewar trends indicates. There is some danger of forgetting this pleasant possibility in our preoccupation with such staggering problems as seem to threaten. The point is reminiscent of Mr. Joseph Chamberlain's experience in the early years of this century. He founded his protection-cum-preference proposals upon a statistical comparison of the years 1872 and 1902, and was able to show that whereas United Kingdom exports had increased from 256 million pounds to only 283 million, United Kingdom imports had grown from 354 million to 528 million. Hence the need for tariffs. Unluckily for Mr. Chamberlain, United Kingdom exports registered a marked expansion soon after the commencement of his campaign. The same could happen again and thus render our fears today as ludicrous as Chamberlain's.

But Professor Schüller has not quite succeeded in convincing some of us that our fears are madly exaggerated, or that some purposive direction of British trade in the next four or five years is avoidable. In the final analysis the differing emphasis on the immediate postwar problems may boil down to a difference in the degree of risk that Professor Schüller on the one hand and some British economists on the other are willing to take in order quickly to reestablish some semblance of a universal and multilateral trading system. Economists here feel for the most part that an immediate return would almost certainly fail, and probably thereby permanently jeopardize the chances of an eventual return. When there is so much to lose it seems unwise to speculate, even if the accumulations might be high.

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REJOINDER

PROFESSOR Morgan argues that under exchange control Great Britain could increase her imports, say from Belgium, without thereby reducing trade with other countries. He does not take account of the possibility that the expansive effect of such single transactions might be overbalanced by the restrictive effects of the control system on the total sum of British and world trade. That this would happen cannot be proved mathematically, but, as I have tried to show, it is highly probable, because every payment to countries outside the sterling area would depend on a license issued by the controlling authorities, and because the multilateral clearing agreement between the sterling countries would involve great complications. The experience of the countries which applied these controls in the 1930's is rather impressive. Moreover, discrimination against American trade in a large part of the world would provoke conflicts between the trade policies of the United States and of Great Britain.

As an alternative I have discussed a combination of three methods of British trade policy. First, Britain could use her position as the world's largest purchaser to obtain considerable concessions in normal trade agreements, based on the most-favored-nation clause, from all countries to which the British market is important. Professor Morgan believes that this method "is essentially that employed hitherto in its most general form by Dr. Schacht." Since he knows, of course, that Schacht's scheme was quite the reverse of the method of normal trade agreements, the comparison is apparently based on the fact that Germany used her bargaining power without succeeding in expanding her total trade. And Professor Morgan asks whether Great Britain's position in this respect might not be less favorable than that of Germany, which had to deal with relatively poor countries depending on the German market.

Professor Morgan does not, however, take account of the fact that Germany's imports were not considerably larger than her exports, while Great Britain imports much more than she exports; in the average of the years 1936-38 her imports surpassed her exports by almost 75 percent. Surplus of imports is the most essential element of a strong bargaining position, and in this respect no country is more favorably situated than Great Britain. Professor Morgan's objection that Britain, using her purchasing power, might give a bad example

which could have regrettable consequences, is not justified. Every country considers it natural and legitimate to use its bargaining position in negotiating its trade agreements; the United States utilizes her possibilities as best she can, but because her exports are greater than her imports, she has to increase her imports or to grant loans in order to obtain concessions for her exports.

Whatever results Great Britain might expect from normal trade agreements, she cannot be sure that these results would be sufficient to close the gap in the British balance of payments after the war, and therefore supplementary methods will have to be applied. As for the method of imperial preference, as embodied in the Ottawa system, Professor Morgan thinks that although "only the staunchest free trader would seriously recommend the unilateral abandonment of the system," the beneficial effects of that system should not be exaggerated, for the progressing industrialization of the empire countries will tend to diminish their trade with England. This argument does not seem to me convincing, and in any event the industrialization cannot be stopped or slowed down by exchange control. The reason why England would make a bad bargain if she replaced imperial preference by exchange control is not only that Canada would remain outside but also the general restrictive effects produced by the control system.

There is, finally, the problem of Great Britain's closer economic relations with Denmark, Norway, Holland and Belgium. I suggested that many measures could be applied to promote trade between these countries which have persistently attempted to form a freer trade group, and that even the establishment of reciprocal free trade might be contemplated. Professor Morgan's supposition that this would mean a *Zollverein* arises from a misunderstanding, for, according to the proposal, every country would have its own tariff, and would independently conclude trade agreements with countries not belonging to the group.

This explanation provides the answer also to the argument that pastoral products imported from Holland and Denmark would be free in the English market while the same products of the Dominions would have to pay duties. Under the suggested system England could admit products of the Dominions just as free as those of Holland and Denmark, and she would probably, as she did before the war, use for example a butter quota in order to divide her butter imports between New Zealand and Denmark, and to protect her home production of butter. I have assumed that quotas would have to be

agreed upon in some cases, but that free trade within the sterling group would be the rule. There is no doubt that the establishment of reciprocal free trade as a new method of trade policy would raise quite a number of economic problems, but it may be worth while to inquire into its possibilities.

Great Britain and many other countries will certainly not abolish the controls of exchange and of trade immediately after the war, but they may miss opportunities to expand their trade if they maintain these controls during too long a period. And it would be unpropitious if they tried to establish exchange control and licensing of imports as a permanent system of trade policy, because these controls are trade restrictions which cannot be turned into means of trade expansion.

RICHARD SCHÜLLER

BOOK REVIEWS

HERMENS, FERDINAND A. *The Tyrants' War and the Peoples' Peace*. [With an Introduction by Robert M. MacIver.] Chicago: University of Chicago Press. 1944. xiii + 250 pp. \$2.75.

The law of action and reaction, it seems, has its application not only in the field of politics but also in that of political writing. It was therefore inevitable that the spreading of "Vansittartism" should have produced, as a reaction, a crop of publications expounding the rival view of German history. Dr. Hermens judiciously attempts to steer a middle course. The Germans are not so black as in Lord Vansittart's thesis, nor are the others quite so white as we are inclined to believe. Dr. Hermens strongly champions a peace of moderation, and he argues his case thoughtfully, in a commendable spirit of humanity.

It is to be regretted, therefore, that his historical analysis should be marred by a number of assertions that will provoke opposition, because either they are made altogether without proof, or in the nature of things no proof can be adduced. Thus, speaking of reparations, he states that "the assumption, made implicitly or explicitly, that there was any intention in Germany to nullify reparations by contracting loans is the point at which intellectual dishonesty enters the picture," and he further affirms that "had the Republic survived, the full payment of both interest and amortization quotas would have been kept up. To state, or even to imply, differently is baseless slander." Such lapses into the unknown, and into what must impress the reader as forensic dialectics rather than as dispassionate presentations of facts, can hardly carry conviction.

It is part of the author's method to confront contemporary German experience with that of France, Italy and other countries at different historic stages. Such an approach, if kept within reason, is both legitimate and instructive. Unfortunately, Dr. Hermens is not always felicitous in his choice of conclusions from events which he regards as parallel. Thus, speaking of the causes that led to the overthrow of the Weimar republic, he is so bold as to argue that few competent observers "will be inclined to hold one nation responsible for mistakes that any other nation might have made under similar circumstances." Or, speaking of the persecutions of Jews in Germany, he warns the reader: "In this connection it should be realized that what has happened in Germany has its parallels in other countries." He does not, of course, refer the reader to the Spanish Inquisition. But

he illustrates his point by referring, upon the testimony of W. H. Chamberlin, to the extermination of the kulaks in Russia, to the "small group of racketeers" in the United States, and to the "full quota of acts of violence" in English history. These acts were committed, he affirms, in northern Ireland during its conquest under James I, in India, in South Africa during the Boer War, and on board a ship that transported German internees from England to Australia in 1941. "But does not this incident reveal," he concludes, "that there is even now in England a minority which, unless guarded, would be inclined to imitate the pattern of Nazi brutality?"

This remark seems both inept and an affront to the reader. Is it really necessary to point out that the British, after all, had the good sense to keep under control this potentially dangerous minority, whose existence is assumed but not proved, whereas the Germans lifted that minority into the saddle and kept it there; to point out that Germany did make this mistake whereas England, although she might have, did not make it; and that this difference between what is and what might be is not one to be whisked away? While it may be true that in a wider sense all nations are "a community of guilt before God," there is still a rather relevant difference between nations that have committed some of the greatest crimes on record and others that might have committed them but did not do so. One need not believe in the inherent wickedness of the German people, or in their inability to work the machinery of democratic government—although they have given convincing demonstrations of both—in order to draw a sharp distinction between Germany and other nations on the basis of the record that is.

It is, of course, true that for too many years the democracies committed a serious error of judgment in pursuing their policy of appeasement toward Germany. We are all paying dearly for this error. But is it not safe to assume that among the indignant, righteous men, wise with hindsight, who today, and not a decade ago when it mattered, place on these democracies, rather than upon the shoulders of Germany herself, the responsibility for the rise of National Socialism and its domestic and international crimes, there are many who would have rushed in to accuse the British and French governments of aggressive designs if the latter had decided to call the dictator's bluff (if it was bluff) and to intervene in the "internal" affairs of Germany? They glibly decry the appeasers, and they advocate a peace of conciliation. But would they not, with equal indignation and self-righteousness, have fulminated against a preventive war against

Germany? Today it is clear that in the circumstances the alternative to appeasement would have been only an active and forcible policy of intervention, which would have been bound to anticipate, as a final eventuality, a preventive war. And if today this class of critics invites a policy of appeasement toward Germany, will they not, if that peace fails, blame the democracies for their inability to make a lasting peace? We vitally need, as the author wisely suggests, a propaganda for peace; but what the world requires least of all, it is felt, is propaganda for a peace of appeasement.

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GURVITCH, GEORGES. *La Déclaration des Droits Sociaux*. New York: Éditions de la Maison Française. 1944. 182 pp.

In the revolutionary situation created in France by the sweeping elimination of the semi-fascist structure, the country may become the testing ground for new ventures of the human spirit. It would not be the first time in history. A leading French social scientist, in this small book, makes his highly suggestive proposals for a new Bill of Social Rights.

Various organizations in different countries have recently elaborated such proposals in a strangely utopian mood. The idea seems to be that since this is a revolutionary age, it is ipso facto favorable to the extension of democratic rights. Gurvitch does not share this illusion. He knows that as a result of underlying technological transformations the inherent tendencies in both economic and social life run counter to democracy. But he believes that something can be done about it, and he is aware of the danger of abuse and perversion if we are not wary. A mere declaration of social rights, as conceived by the optimists, may mean less than nothing; since such rights aim at social security they may very well be granted by a totalitarian regime, which would thus extend its own jurisdiction and buy the loyalty of the people. There is no democratic right without function and responsibility. Therefore it is as an elaborate constitutional program in fields hitherto excluded from constitutional regulation that Gurvitch conceives the Bill of Social Rights.

As a result of his Proudhonite heritage, the author is at great pains to prevent the newly created functions from becoming absorbed into the state. His doctrine of the legally limited character of the state and its sovereignty, while perhaps never quite convincing, has never been completely refuted. He seeks the ultimate sanction of the new

structure of functions not in state law but rather, following the Anglo-Saxon example, in a common law, a "spontaneous Law of the Nation," to which the citizen can appeal in any court against state and state law. Or better, the different groups to which the citizen belongs—since he is not only a citizen but also a worker, a consumer, and a member of various cultural associations—may thus protect the liberty of their members, and their own integrity, against attempts at totalitarian encroachment by the state or any other oppressive organization. The "general interest" is never a uniform interest, incorporated in the state; it is a mobile equilibrium of opposite group interests.

The author's pluralism means three different things. It is, first, a fact in every society, for all societies consist of many groupings which limit, support, battle, equilibrate one another. In the second place, it is a technique which opposes to the "statist" tendency of this age the conscious program of reserving as many functions as possible to functional groups properly chosen, and reserving them at the expense not only of the state but perhaps also of other degenerating and hardening functional groups. Pluralism is, third, an ideal, which seeks unity through organized diversity; or, in specifically French terms, it produces variety through liberty, unity through fraternity, and unity-in-variety through the equality of persons and groups in the community. The democratic state, far from being weakened by such decentralization, would become stronger, by concentrating on the field of its particular competency. The section on pluralism is the climax of the brilliant first half of this book.

It is logical that the practical part of the book, containing the draft proposal itself and a detailed commentary, is fairly radical, since social rights, according to the author's fundamental conception, are democratic liberties asserted against the subjugation produced by the degeneration of the right of individual property. Thus individual property is limited to functional property, of which land tilled by the owner remains the classic example. It is equally logical that Gurvitch, familiar as he is with the power that resides in big property as such, should be willing to hand over to the state and the minor territorial organizations only what they really need for the performance of their duties; and that he envisages for the bulk of productive properties a multifarious structure of industrial democracy, rising from shop councils and enterprise councils to a National (and finally International) Economic Council. This he calls "social property" as distinguished from public property. There are also mixed forms, containing elements of all three types.

In this program, however, there are two or three grave difficulties. First of all, the author, otherwise so well aware of the social tendencies of the economic structure as such, does not seem to see that the planned economy of which his industrial democracy is in charge, and which alone, he says, makes industrial democracy real, is inherently centralistic. A plan must be drafted in one piece, from above, even though it is discussed and amended on the lower planes of production, and after that decentralized discussion it must, again, be integrated at the top. Coordination demands one agency. The kind of decentralization described by Gurvitch, spread among limited agencies, not only would prevent economic power from becoming concentrated but also would make the plan itself technically impossible. The way out is in the widest possible use of the pricing and costing mechanism of the market. The author does not see that price accurately expresses the ratio of demand and supply, and that its undesirable results come not from the mechanism as such but from a weakening of the purchasing power behind the demand, or from an arbitrary reduction of the supply, for example by monopoly. He does not see that the more correct pricing he can have, the less concentrated power he needs—a relationship which is the time-honored argument for the market, transplanted from the private property structure to industrial democracy.

How little he appreciates the technical requirements of the economic structure can be seen also in his proposal that labor shares be established in large properties, not only to give the worker a unit of stable income—how can it be stable?—but also to give him a unit of capital to be paid out when he changes his job or finally retires. The author overlooks the fact that it is in the nature of financial structure that a capital share is never paid out, that is, never becomes a financial burden, and that it would be intolerable to make labor shares into a financial burden on social property, because it would be impossible to figure in advance the number of withdrawals and prepare for them. This is not to deny the practicability of the democratic idea of labor shares in industrial corporations; this reviewer, too, believes in their very great importance. But the idea has to be given a thorough technical elaboration, showing the conditions and implications of the proposed transformation of capital corporations into workers' cooperatives: that is what the reform comes down to, and it may have a very good chance in a country of France's moral and social climate. Henry Bamford Parkes, in a brilliant book with the grossly misleading title *Marxism, An Autopsy*, has given a number

of fruitful, if still incomplete, suggestions in this direction. Gurvitch, however, contents himself with the mere programmatic demand, without contributing anything to the discussion.

As to economic planning, of which much will always remain necessary, even with the use of the pricing mechanism for surveying and controlling purposes, the planning organization inevitably wields a tremendous power, which cannot fail to reach deep into the political sphere proper. Suppose the state and the Economic Council are at loggerheads over an armament program—who settles the issue? Does not the author, misled by his passion for classification, overrate the possibility of keeping apart what may conflict? It is regrettable that a book so strong in its discussion of principle should be so weak on technical application.

EDUARD HEIMANN

COLEGROVE, KENNETH. *The American Senate and World Peace*. New York: Vanguard Press. 1944. 209 pp. \$2.

Professor Colegrove's book is a violent criticism of the justice and expediency of the provisions of the American constitution (Article II, section 2, paragraph 2) which establish the partnership of the Senate and the President in the treaty-making function. It attacks with equal force the exclusion of the House of Representatives from the consent procedure and the requirement of a two-thirds majority in the Senate, which grants to a minority of that house a privileged position in the ratification process. Only a constitutional amendment can, in the opinion of Professor Colegrove, prevent the domestic and foreign difficulties that are bound to arise under the present system. The amendment should be couched in the following language: "The President shall have power, by and with the advice and consent of Congress, to make treaties, provided a majority of the Senators and Representatives present concur."

The first chapter is an indictment of the "treaty-wrecking habits of the Senate." The third chapter, "Every Senator wants to be President," and the fourth, on "The League-of-Nations Fiasco," are a further elaboration of the rather sweeping charges against the Senate. Professor Colegrove does not go so far as to deny that sincere motives and strong convictions may have influenced senators who have vetoed international treaties, but the incentives on which he lays main stress are partisanship, personal bias and emotional reaction toward the President, and jealousy of the Senate's constitutional prerogatives. The second and the sixth chapters are intended to contrast with this

dark picture the light background of a public opinion far more discerning than its senatorial spokesmen. The fifth chapter discusses the constitutional and practical implications of the proposal, occasionally advocated, to use the device of executive agreements in order to bypass the Senate. In the seventh chapter are considered the pros and cons of a constitutional amendment that would serve to solve the problem.

Professor Colegrove fights for a good cause and puts forth valid arguments. The present ratification procedure is open to criticism on grounds of democratic principles as well as because of practical considerations. The author hardly overstates the case when he calls the treaty-making apparatus of the United States "an eighteenth century mechanism inadequate to cope with the diplomatic problems of the twentieth century." No less cogent are the reasons that he advances against the idea of clothing international treaties in the form of executive agreements, in order to dispense in the future with the consent of the Senate. This practice would be constitutionally doubtful, to put it mildly, and therefore subject to a judicial reversal; accordingly, the device would fail to strengthen the position of the United States in international councils. Professor Colegrove is also right in insisting on the limits to close cooperation between Congress and the Secretary of State, limits that are set by the very nature of the presidential system. Granting these assumptions, there is no way of denying the merits of the proposal for a constitutional amendment of the kind the author recommends.

But one may wonder whether Professor Colegrove does not oversimplify the political issues involved. Bent on stressing the institutional factors that enhance the chances of isolationism, he tends to relieve public opinion of its due share of responsibility for the mistakes of American foreign policy between the two world wars. The requirement of the two-thirds majority is highly objectionable. But Professor Colegrove himself points out that only 21 out of 96 senators were ready in 1920 to adopt without reservation the Treaty of Versailles, including the Covenant of the League of Nations. The result of the national elections in the same year was an endorsement rather than a repudiation of this attitude. Nor is it permissible to gauge public opinion only in the abstract terms of its attitude toward membership in an international organization. The real test is furnished by the concrete problems posed by the stubborn facts of international politics.

ERICH HULA

CLARK, JOHN MAURICE. *Demobilization of Wartime Economic Controls*. New York and London: McGraw-Hill. 1944. xiii + 219 pp. \$1.75.

The main characteristic of Professor Clark's book is its love for detail, and its main messages are two warnings: first, not to take temporary improvements in the supply of commodities as permanent, and not to be over-hasty in the demobilization of wartime controls; and second, not to regard the emergence of a certain amount of unemployment—inevitably associated with the redistribution of manpower—as indicative of a deficit of demand in general and as a signal for starting huge government employment programs. His mental picture of the general nature of the transitional period and his general approach to problems of employment are at no place explicitly delineated, but their main features can be inferred from various scattered statements and proposals.

Professor Clark seems to agree with the school that does not fear a deficit in demand during the period immediately after victory. Even if the war production program should shrink by 35 to 40 percent, this would not eliminate fairly general inflationary pressures or bring about a real aggregate surplus of manpower (p. 108); there will be excess demand for consumer durables for a considerable period, without any help from expanded consumer credit (p. 30); during the retooling period fiscal policy may well be neutral, in the sense of neither clinging to deficits nor going to great lengths to eliminate them (p. 134). On the other hand, the end of the backlog stimulus, combined with the retirement of disappointed producers from overcrowded markets, will pose a real employment problem; it "would lead to a depression after two or three years of expansion," if it were not for the mitigating factors of the development of new goods and the deferred demand in highway and housing construction, which it may take ten years to fill (p. 162). Therefore "the best course, if practicable, is to err on the inflationary side, and to retain anti-inflationary controls sufficient to prevent a runaway boom" (p. 133). Professor Clark goes so far as to recommend an ultimate inflation of as much as 40 percent, "provided that the rise above the present 24 percent goes where it is most needed" (p. 110)—a condition which, the reviewer if afraid, will not be easily satisfied.

Since these views coincide with what may be called the moderate New Deal attitude in the field of economic policy, one may hope that certain other timely warnings will be duly appreciated. While the Keynesian school, almost without exception, disregards the influence

that wage rates and claims for higher wages can have on employment, we read here: "If the Government is indiscriminate in furnishing employment, it may come to the rescue of labor groups and industries which have priced themselves out of the private market" (p. 34). In another passage Professor Clark stresses the limitation which, unfortunately, economic commonsense must put on humanitarian projects. There he declares that while there is plenty of need—need, for example, of food for undernourished people, or need of improvement of many dwelling facilities—nevertheless "this is a relevant and valid argument for an income-expanding plan only if the plan would put the income in the hands of the people who need the added food and plumbing; that is, it relates only to a plan that includes altering the distribution of real income, facing all the difficulties and objections that such a proposal encounters. Otherwise, talk of unsatisfied needs in this connection is meaningless and misleading" (pp. 198-99).

It may not be quite easy to grasp Professor Clark's underlying philosophy of economic demobilization, or to see how his various detailed suggestions are related to it. But if the book were studied in Washington for such general principles, the advantages for the American economy in the critical years after the war could be enormous. I do not think American economic policy could go far astray if it followed the advice of so wise and well informed a counselor.

HANS NEISSER

BRANDT, KARL. *The Reconstruction of World Agriculture*. New York: W. W. Norton. 1945. 416 pp. \$4.

Karl Brandt is easily the most stimulating scholar now writing on agricultural policy, and the present work comes near being his most stimulating book. It is the product of an encyclopaedic collection of factual material, well processed for digestible content.

As a keen observer of the facts of agricultural life, Brandt was never under any illusions as to the possible breakdown of the Axis food supply. The Nazis had a definite policy of maintaining agriculture, both at home and in the occupied territories. Ruthless as their principles were, they relied, according to Dr. Brandt, more upon good prices than upon compulsion. Dr. Brandt does not bother himself with the kind of money that made good prices. One surmises that the French and Polish, Dutch and Danish farmers may have had misgivings about the validity of the money. It is possible that even the German farmers may have had such misgivings. Dr. Brandt offers no evidence of the buying power of the German fiat money. It was

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probably good, except that there was nothing to buy. I have a hunch that the omnipresence of the Gestapo helped considerably to make the farmers deliver the goods.

In spite of its crowded population Europe had been very nearly self-sufficing in food supplies before the war. It was somewhat short in fats. It needed the palm nuts of Africa, the whale oil of the Antarctic. These were cut off by the blockade, and the Axis had to go short. Much was done to develop the production of oil seeds in the occupied territories and in Rumania. Enough fat was found for the requirements of the army and the essential war workers. The rest of the population suffered deprivation in this respect. But lack of fat, while depressing, is not fatal.

As to food supplies in general, Brandt finds that calories enough were available. It is always possible to increase the calorie supply by cutting out the feeding of grain to animals and using it directly for human food. A pound of pork or fat beef costs anywhere from four to nine pounds of grain, and pound for pound, grain is about the equivalent of meat in calories. The answer to food shortage is to go vegetarian, and most of the "fortress Europa" has taken this way out.

Another method of solving the food problem is to hold down the calorie intake of the less essential elements in the population, particularly the urban populations of the occupied territories. How far Germany availed herself of this procedure, and with what results, is not easily calculated. Brandt has nothing to say on the subject.

After all, it is not Brandt's purpose to analyze the wartime food situation. He is looking to postwar agricultural conditions. On the production side his forecasts are optimistic. He does not think that the physical plant of agriculture will have taken great damage from the war, except in special cases like the Ukraine, where the scorched-earth policy was followed both by the retreating Russians and by the retreating Germans. Since Brandt wrote, the scorched-earth policy has been carried out by the Germans in much of Poland and East Prussia, and at present it appears that very considerable portions of the north German plain are in a sadly depleted condition for want of the nitrates and phosphates that have been diverted to munitions. But with all allowance for physical destruction we may agree with Brandt that so long as skilled farmers remain alive agriculture will come back, if the price situation is satisfactory.

Can there be a satisfactory price situation not only for a pacified Europe, but for the rest of the world as well? Brandt sees no hope

for this in the kind of governmental policies that prevailed in the decade preceding the war, policies of excessive tariffs, subsidies, scarcity economy and the like. The true source of agricultural prosperity is the prosperity of the urban purchasing public. If we wish to restore world agriculture we need first of all to restore world industry. And this implies a progressive lowering of duties, both agricultural and industrial.

In principle Brandt is right. There can be no full employment in the western world without highly activated international trade. There can be no sound agricultural prosperity except on the basis of full industrial employment. But now we are considering what ought to be. There is the other question, what will be.

As it now appears, the industrial structure of central Europe has been pretty thoroughly shattered by the war. The bombings, the storming of cities, involved a terrible destruction of industrial equipment, and much of the remainder is being taken by the victors. Transportation is literally shot to pieces, and without effective transportation the salutary interchange of services between city and farm is seriously handicapped. A sound currency is quite as important in this connection as transportation, and how sure can we be that the victors will succeed in any attempt to substitute sound currency for the fantastic marks and francs, lire and drachme, that have bedeviled exchange?

Dr. Brandt looks to the reorganization of American agriculture, too, through the magic of freer trade. It is well not to load magic beyond its inherent horsepower. Trade, however free, has never been able to solve the problems of monoculture. Let private initiative alone and products like tobacco, coffee, spices, cotton, sugar will inevitably be overproduced. Even wheat, in the great semi-arid regions of North and South America, Australia, North and South Africa, and the vast sub-arctic regions of Canada and Siberia, is certain to be overproduced, if it is to be reserved for human food. In the long run much of it may be diverted to feeding livestock, if full employment builds up the demand for meat and poultry. But what can be done with the surplus tobacco, coffee, spices, or even sugar? Brandt will say, sugar at two cents a pound—a profitable Cuba price—is cheaper than corn for fattening animals. But tobacco, now—shall we turn the Chinese and Hindus into chain smokers?

Freer trade, we must agree with Brandt, would help marvelously toward the reconstruction of world agriculture. Alas, we are not likely to get much of it. And even if we were, a tremendous lot

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needs to be done by governments, by bureaucracies if you will, before the farmer can be liberated from the bear trap of monoculture and herded into mixed husbandry, where by varying the intensity of animal feeding he may make provision for the alternations of good seasons and bad, industrial prosperity and depression.

ALVIN JOHNSON

CURTI, MERLE. *The Growth of American Thought*. New York: Harper. 1943. xvii & 848 pp. \$5.

All writers who deal with the specific character of a national civilization must face the problem of distinguishing between what is a universal trend and what is truly peculiar to the individual society under discussion. With increasing industrialization and increasing technical uniformity, a certain degree of standardization develops also in patterns of behavior. Thus the social worker in any one country probably bears a strong resemblance in type and attitudes to the social worker in other countries, and a comparable uniformity surely exists in the ranks of labor and in other occupations. There is no doubt, however, that there still remains something that can only be called national character, perhaps appearing only on the fringes of individual or group existence, but always emerging as a powerful integrating force in times of crisis.

Mr. Curti's painstaking research into the particular nature and the development of American thought has yielded a remarkable amount of information. He has analyzed well the effects of nationalism and imperialism, and the conflicting trends of individualism and state planning in an era of applied science, and he has given an excellent account of the confusion of prosperity and depression in the period following World War I. But he has not entirely succeeded in showing the individual concatenation of universal conditions which is the spontaneous and creative and unique expression of the American people. And he has omitted or underemphasized certain aspects of the social process which might certainly be regarded as related to his subject. He has paid little attention, for example, to the central influence of language in shaping and particularizing thought. The evolution of the typical American language from the English, and the changes that have developed in words, style and general expression, offer a fertile field of inquiry in any analysis of national development. Linguistic changes are one of the fundamental expressions of "social change."

The national development of philosophical and scientific thought

shows peculiarities that are particularly indicative of national character. American pragmatism, for example, is more than a philosophical doctrine. It is a fundamental attitude of the thoughtful American, of the theologian and the philosopher, and the scientist and the statesman. It can even be called the American humanism. There is significance in the fact that William James finally termed his philosophy humanism; Erasmus may rightly be called its ancestor.

This basic attitude, which permeates all spheres of American thought, is especially evident in the development of sociological thinking. American sociology links the study of a variety of behavior patterns and the techniques of social control with an almost crusading belief in technological reason; it unites the strictest scientific methods with lofty dreams of a utopian world; it is the uninterrupted spirit of enlightenment in its pragmatic version. Mr. Curti presents a most interesting discussion of sociological thought, but he does not emphasize the specific national character that is evident in the dialectics of technological and utopian thinking.

American life and thought are marked by many such dialectical trends. The dialectical structure of the national character is manifest, for example, in the development of religion. We find, on the one hand, the persistent trend toward a natural and universal religion, the heritage of the spirit of the Enlightenment; and, on the other hand, the greatest variety of religious experiences, the greatest diversity of religious denominations. These contradictory elements, however, are of one piece: they are knit in a pluralistic integration which does not exist anywhere else.

It seems reasonable to believe that in such a work as this the central problem is to find the links that connect intellectual and spiritual tendencies with the specific social conditions out of which the country grew. There might even be some advantage in making use of the methods which historians of classical and mediaeval colonization established in describing fundamental attitudes among societies of colonizing settlers; also worth remembering for its approach to this type of analysis is the work of Nadler on the history of romanticism and of German literature. Certain aspects of the social process establish behavior patterns and attitudes which determine the history of a nation over a long period, and interpretative analysis of these aspects makes it possible to understand the national character and thought in terms of a dynamic sociological force rather than a static entity.

ALBERT SALOMON

PESOTTA, ROSE. *Bread upon the Waters*. [Ed. by John Nicholas Beffel.] New York: Dodd, Mead. 1944. x + 435 pp. \$3.

Rose Pesotta's narrative of her ten years as an organizer and Vice-President of the International Ladies Garment Workers Union proves what should be an aphorism and is too often a belated admission—that unions are people, first and last, people trying to help themselves, and doing it together. *Bread upon the Waters* presents new and invaluable material on three phases of recent labor history: the techniques of labor organization; the structure of labor unions; and the relationships of the various levels within a given union. For its material on any one of these subjects it would be an important contribution. The presence of all three gives it stature as one of the most revealing studies that have appeared in recent years on American labor history.

Miss Pesotta's technique of presentation is basically the personalization of events. Her story deals with people, hundreds of people with names and personalities, engaged in innumerable and continuing

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struggles to better the conditions under which they work and live. The thesis implicit in the book is that the people, the rank and file of democracy as well as of organized labor, must settle upon their goals, and must, in social and political matters as well as in economic ones, act upon their ideals. Merely to believe is not enough, and the great truth to be derived from the experiences of Miss Pesotta is that only by militantly facing problems can we solve them. Anti-Semitism and intolerance in many other forms are seen to weaken and wither under the force of the direct approach.

The structure of a union tends toward formalization, toward dangerous bureaucratization and vested interest. One might compare a modern union to a ladder, the various rungs indicating the levels of activity and importance—the worker, the specialist, the shop chairman, the business agent, the union officials. The rank and file of such a large union as the ILGWU are far removed, in status and activity, from the top leadership. Thus there is particular importance in the work of the labor organizer, the binding element that knits

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together the whole. A considerable part of the vigor and lasting strength that are to be found in organized labor groups exists as a result of proper original and continued organizing.

In Miss Pesotta's view the United States has no single labor history. Rather there are many histories, each true for and characteristic of but one region or city. As an organizer she has been to most of the places where labor has any history, and in her book she has developed her organizing experiences into a simple but revealing pattern. After reviewing briefly the immediate reason for her presence she discusses the related problems of the area's labor history, its economic and social structure, and the nature of the crisis in which she found it. Then follows the narrative of events, and a summary of the situation today. This very simple approach makes for an easy integration, as each chapter unfolds itself, of what might have been disjointed and inconclusive material.

MILTON FINKELSTEIN

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THE GRADUATE FACULTY OF POLITICAL AND SOCIAL SCIENCE

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1945-46

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Introductory Seminar: Applied Economics (S)
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Comparative Economic Systems (S)
History of Capitalism (S)
Theory of Capitalism (F, S)
Current Economic Problems: The Transition to Peace (F)
Postwar Economic Problems—*seminar* (S)
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Economics and Planning (S)
Economic Fluctuations—*seminar* (F)
Theory of Money and Credit (F, S)
Problems in Public Finance (F)

LABOR

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Industrial Relations—*seminar* (F)
Social Security—*seminar* (S)
Current Labor Events (F, S)
Introduction to Labor Economics and Labor Sociology (F)
Sociology of Labor (S)

SPECIAL ECONOMICS

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Population Concepts and Statistics (F)
Population and Race Problems (S)
Economic Geography: Raw Materials in the Postwar World (F)
International Trade (F)
Postwar Trade Policy (S)
International Economic Organizations (S)
Economic Consequences of the War, Especially Reparations (F)
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Full Employment (S)
Advanced Economic Theory: Theory of Perfect Competition (F)
Theory of Interest—*seminar* (S)
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Mathematics for Economists (F, S)
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Economics of Private and Public Housing (S)

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Carl Mayer

Alexander H. Pekelis

Albert Salomon

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		The Philosophy of Freedom	(S)
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